

rick Cockburn
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In the aftermath of Wednesday night's European Cup disaster, the search begins for answers as to how and why it happened

Doubts raised about the adequacy of ground and organisers

BY WALTER ELLIS AND DAVID GOODHART

INTERNATIONAL SOCCER matches involving English or Scottish clubs have gone ahead for nearly 15 years on a presumption of violence that is nearly always justified. What ever the social cause of what is seen in Europe as "the British disease", no one has had cause to doubt the effect.

Sometimes the injury or damage caused is slight; more often, people are seriously hurt and there is destruction in and around the ground. What marks out this week's disaster in the Heysel stadium in Brussels, in which at least 39 people died after fighting between supporters of Liverpool and Juventus of Turin, is not merely the scale of the catastrophe but the seeming inadequacy of the ground and its organisers, including the Belgian police.

The Belgian Government is in no doubt about who started the violence. It condemned Liverpool supporters and immediately placed a ban on all British clubs playing in Belgium, including national sides, until the UK "puts its house in order".

Few would doubt that a section of the Liverpool fans—not all necessarily from Merseyside itself—were responsible for the surge into "enemy territory" that led to the collapse of a wall and the subsequent deaths and injuries. The question is, how was this allowed to happen? And what were a group of Juventus fans doing at the Liverpool end? And, assuming that an assault had taken place, why were the authorities able to do so little to stop it?

Mr Neil MacFarlane, the UK Sports Minister, said shortly after Wednesday's match that "it appears that segregation (of supporters) was not adequate."

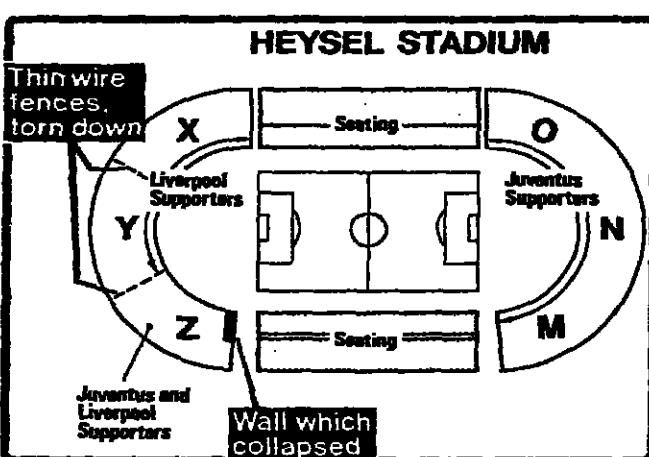
Belgium condemned Liverpool and banned all British clubs, including national sides, from playing in the country until the UK "puts its house in order."

He had written to the Belgian Government three weeks ago to make sure that all precautions were taken at the Heysel.

When I heard rumours of a fight, I telephoned UEFA (the Union of European Football Associations) urging them to ensure that all rules and recommendations were adhered to. I have had no reply.

The rules Mr MacFarlane referred to were first drawn up at a meeting of European sports ministers in Rotterdam three years ago and have since been endorsed by the Council of Europe and UEFA itself. They concern mainly the precise areas of control which it has been suggested were not applied in Brussels: the segregation of rival supporters, the sale of tickets and the availability of alcohol.

According to the European code—which Mr MacFarlane helped draft—fans at international matches should be kept strictly apart. Fencing should be strong and there should be a neutral area between rival groupings. Ticket sales should be largely confined



to the clubs concerned, and there should be no sales on the day of the match. Alcohol, it is recommended, should not be available at or around the ground.

Mr Charles-Ferdinand Nothomb, the Belgian Interior Minister, refused to accept yesterday that safety measures at the Heysel were inadequate. Television pictures showed, however, that the barrier between the Liverpool and Juventus fans was flimsy and easily torn down.

Mr Nothomb also commented on the disposition of the police at the match. Adequate preparation had been made, he said. Earlier this month, police from Brussels attended the UEFA Cup Final in Rotterdam between Everton and Rapid Vienna, at which security tactics were widely praised. They visited Liverpool itself to take advice from Merseyside police.

On the basis of all the available information and experience we decided to deploy larger forces than for a normal match," said Mr Nothomb. A total of 800 state gendarmes and 600 local police were to be used in the operation, compared with just 520 gendarmes and 60 police at a previous match between Liverpool and Anderlecht.

Unfortunately for the authorities' planning, everything assumed that any trouble would be confined to the period of the match itself and its aftermath. No thought was given to a riot before play started.

When the fighting started there were just 120 police inside the ground, which was then full with 57,000 fans. The "ticket" question, which appears to have led to the deadly juxtaposition of Liverpool and Juventus supporters, is also contentious.

Under UEFA rules, it is the local football association which is responsible for the sale of tickets and the organisation of fans within the stadium. A total of 57,000 tickets was sold. As laid down in the rules, 25 per cent of the allocation was sold through each club, about 5,000 through UEFA and the game's sponsors, and the rest—23,000—was sold in Belgium.

This is one root of the disaster. Many of the Belgian tickets were bought by Italians (there is a large Italian community in Brussels), and others, fewer in number, by Liverpool fans with friends in Belgium.

"Belgian" tickets were also reasonably easily available in Brussels on the day, at three to four times the face value. Some fans were even admitted to the ground without having

the ill-fated section Z were for "Belgian" ticketholders. In reality because several hundred Juventus fans dominated sections O and Z, it appeared to many of the 10,000 Liverpool fans in X and Y that they were being discriminated against. Driven by drunkenness—although alcohol was not on sale at the ground—and by hostility to the baton-wielding police, a minority of Liverpool fans broke out of their "compound" with ease and charged in to the Italians in section Z, some of whom, during the long, hot evening, had been taunting them and exchanging missiles.

When about two dozen gendarmes moved into section Z, a group of fans charged. The Mayor of Brussels, Mr Herre Brouhon, later admitted that only six policemen were there to stop the charge.

Pandemonium ensued. The weight of fleeing Italian fans caused a brick wall to collapse. Some fans were buried in the rubble, many more were trampled by retreating feet, and crushed.

Questions have also been asked why the Belgian police did not immediately recognise that a tragedy had occurred. Riot police were sent in when it is clear that stretcher-bearers and medical teams were needed.

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The dead and injured on the stadium steps in Brussels.

Fury in Italy at 'barbarian horde'

BY JAMES BUXTON IN ROME

"A HORDE of drunken barbarians." "Savage murderers and thugs." Just like a clockwork Orange. Those were some of the public comments made about Liverpool fans yesterday by Italian politicians and sports officials.

The tragedy of Wednesday night, the aftermath of which was watched on television by most of Italy's adult population, produced a mixture of shock, grief and anger.

The grief was not concentrated in Turin, the home of Juventus, alone. Almost all the victims in the initial list of names to be released came from other parts of Italy. They included a young postman from Francavilla in the Abruzzi mountains east of Rome, and the female chairman of the Municipal Sports Committee from a town near Catania in Sicily.

The Government was due last night to respond to questions from MPs over what it intended to do for the families of the victims and what steps it would take to see Liverpool banished from European football.

The Italian newspapers yesterday all highlighted the past bad behaviour of British football fans both at home and abroad. Italians were particularly shocked by the drunken-

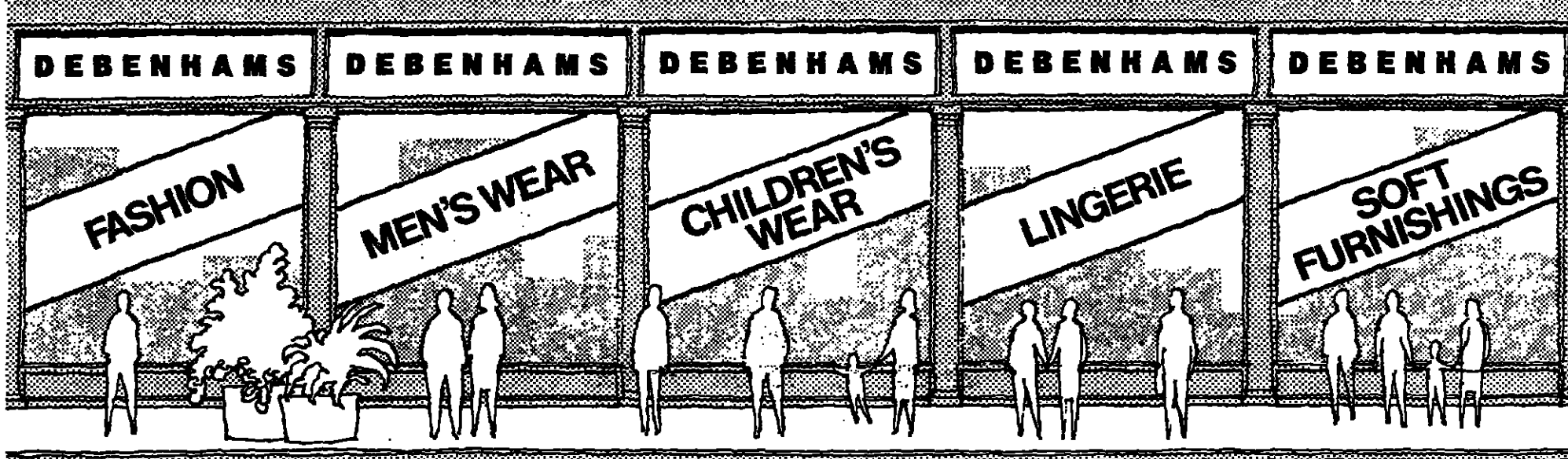
ness of Liverpool supporters on Wednesday night, for whatever the vices of Italian football fans (and a junior Minister pointed out yesterday that violence was also well-known on the terraces of Italian football stadiums), drunkenness is almost unknown in Italy.

Heavy police guards were placed on the British Embassy in Rome and on British Consulates throughout the peninsula.

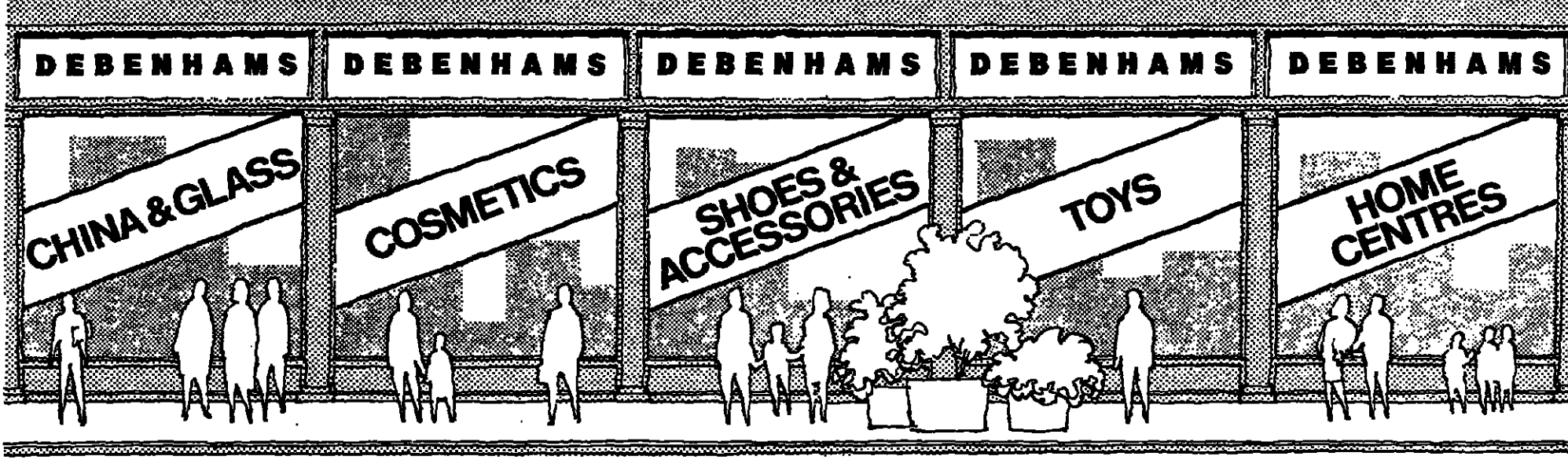
Nevertheless, the majority of Italian commentators, fans returning from Brussels, and Government officials speaking in private laid most of the blame for the tragedy on the Belgian authorities. They were criticised for not preventing the sale of alcohol to fans throughout the day, for the structural inadequacies of the old stadium, for failing to separate the two bands of supporters, for grossly inefficient police action to keep the peace and for reacting wrongly, slowly, and inefficiently to the disaster when it occurred.

The Turin daily, La Stampa, commented yesterday: "It is quite unacceptable that a democratic society is unable to control crowds, and instead provokes and excites them with its disorganisation and its rashness."

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AMERICAN NEWS

Tax reform plan 'will lower costs for businesses'

By STEWART FLEMING IN WASHINGTON

TREASURY Secretary Mr James Baker told Congress yesterday that the Reagan Administration's ambitious tax reform plan would lower businesses' financing costs and have a favourable impact on economic growth.

Mr Baker's testimony before the House ways and means committee which has the right to prepare tax legislation in Congress, came amid signs of gathering political support for key elements in the tax reform package.

But there are growing concerns, being voiced among others by Mr Dan Rostenkowski, the chairman of the Democratic-controlled ways and means committee, that tax reform could end up losing the Treasury revenue and that this could worsen the problem of the federal budget deficit.

"The nightmare is that we finish this thing and then find out we are losing \$40bn (£32bn) or \$50bn in revenue and then have to try and go back in and recapture things that have been given away already," one staff official in Congress said.

Evidence is mounting that the combination of President Reagan's televised address and the bi-partisan support offered by Mr Rostenkowski for the broad principles of the tax reform plan have begun to erode Congressional opposition.

Prominent Democrats such as New York's Governor Mario Cuomo, Missouri's Representative Richard Gephardt and the Republican Representative Jack Kemp, who greeted the President's plan on Tuesday night have since been backtracking. "The President should be commended for a far-reaching

and significant proposal," said Mr Gephardt subsequently.

For President Reagan and his advisers who are hoping that by embracing tax reform the President will have a positive issue to campaign about—and so distract attention from recent political setbacks—this response is encouraging, although the President himself still conceded that he faces a challenge selling the proposal.

The emergence of Mr Rostenkowski as the first leading Democrat in Congress to put on a nationwide televised appearance which did not pale in comparison with Mr Reagan's polished performance will have raised his party's spirits. For it improves the prospects that the Democrats will be able to put their stamp on reform and lay claim to some of the credit.

But political analysts here who sense a bandwagon beginning to roll for tax reform also agree that substantial changes are to be expected as Congress weighs the actual tax legislation and that the process is unlikely to be completed this year. "It's not going to be sweeping reform," said Dr Norman Ornstein, a political analyst at the American Enterprise Institute in Washington.

In spite of the significant concessions made by Mr Baker ahead of the publication of the final version of the bill, lobbyists for a myriad of interest groups, are preparing to try to pressure Congress into giving back some of the tax breaks the Administration blueprint plans to take away. Mr Baker has indicated that there is scope for compromise on issues although the White House seems wedded to the attack on state and local government finances.

Gulf of Mexico deal for Saipem

By Alan Friedman in Milan

SAIPEM, the Italian state oil and gas pipe-laying group, which last year floated 20 per cent of its shares on the Milan bourse, has won a 70bn (\$35.5m) contract to drill nine exploratory wells in the Gulf of Mexico.

The contract was awarded by a consortium of oil companies headed by Agip, the Italian state company which, like Saipem, is part of Italy's ENI state energy group. Agip is the operator on the Gulf of Mexico operation, with a 40 per cent stake in the venture.

Saipem, which plans listings on the London stock market and the Frankfurt, Brussels and Zurich exchanges in the next year, reported a consolidated net profit last year of 1,620m an increase of 17.2 per cent. This was struck on consolidated revenues of 11,390m, 80 per cent of which came from outside Italy.

According to newly-produced accounts, prepared in conformity with U.S. accounting principles, Saipem's 1984 consolidated net income was 1,635m or 1,215m more than under Italian accounting rules. The difference reflects primarily a different treatment of depreciation and amortisation.

Rockwell pact with Matra

MILWAUKEE — Rockwell International's Allen-Bradley unit said it had signed an agreement in principle giving it worldwide marketing rights to artificial machine vision systems manufactured by Robotronics, a subsidiary of Matra of France.

Allen-Bradley said Matra's Robotronics unit would provide medium-sized artificial machine vision technology, which might be used in computer-integrated manufacturing. This product will be Allen-Bradley's initial offering in the artificial machine vision field, it said.

Allen-Bradley said the equipment might be used in part verification, identification, gauging and inspection. It said products might be designed to inspect circuit boards and keyboards and check analog and digital displays.

Jimmy Burns in Montevideo looks at the first 100 days of Uruguay's leader Sanguinetti sustains the spirit of democracy

AS URUGUAY'S new democratic President Sr Julio Sanguinetti marks his first 100 days in power this weekend, he can well afford a measure of self satisfaction: the euphoria which greeted the end of 11 years of military rule last March does not appear to have turned into disillusionment.

This small South American country, the size of Wales, has always boasted of its democratic traditions; the holding of elections last November was widely applauded locally as a restored collective right after an interlude of military government.

Sr Sanguinetti has managed to sustain this spirit by opting for consensus politics. But he has held back from creating false expectations that the country's burdensome inheritance can be resolved overnight. On both counts he has gained the reputation of proving to be something of a maverick among the presidents of Latin America's southern cone.

"We've learnt the lesson of Argentina. It is to move with one's feet firmly on the ground," said Sr Enrique Tarigo, Uruguay's Deputy President.

The lesson has been perhaps no better learnt than on the economic front. Sr Sanguinetti's Government has acted with little of the indecision and ad hoc mannerisms that characterised the first months of Sr Raul Alfonsín's Argentine Administration.

The priority status which the President attached to the country's economic problems was underlined in his choice of 46-year-old Sr Ricardo Zerbino as Finance Minister. An econ-

omist with a long running experience in industry and agriculture, Sr Zerbino took on the job with a large degree of international and domestic support: his appointment immediately injected the Government with a strong dose of credibility, and this has largely been maintained during his three months in office.

The Government's economic policy has defined itself as a cautious middle course between the strict monetarism of the former military regime and the kind of populist policies favoured by the country's left wing. "No economic policy has been successfully implemented without regard for its political and social consequences," says Sr Zerbino.

In practice this has involved a series of trade-offs. Businessmen and farmers have been offered a refinancing of domestic debt and export orientated subsidies in return for measures of control on prices. The unions have been promised a reorientation of government spending away from defence and towards education, health and housing, and increased health taxes in return for the acceptance of a more restrictive wage policy.

The Government has insisted that wage increases cannot be in excess of productivity if it is to maintain this year's inflation in double figures—an achievement in a region where inflation of more than 300 per cent is the norm.

On the external front, where Sr Zerbino has got down quickly to a dialogue with both the International Monetary



Sanguinetti: a maverick

Fund and commercial bankers, the strategy stems in part from an awareness of Uruguay's own limitations as a small nation. The country is not self sufficient in energy and its \$4.7bn (\$3.7bn) foreign debt, although among the highest in per capita terms, is not the kind that can be used to rattle Wall Street.

Nevertheless Sr Zerbino genuinely believes that modernisation backed up by firm economic policies stands the better chance of insuring a greater understanding by the IMF and longer repayment schedules. He said Uruguay's leading commercial creditors agreed in December to defer some \$120m in principal payments falling due in the first half of this year until June 30.

Sr Zerbino, in the meantime, has kept current with interest payments as they have fallen

due despite the constraints this had had on the domestic economy.

The Government, however, appears to be aware that its room for manoeuvre domestically could narrow in the coming months unless the IMF shows a measure of flexibility. "We have reached the limit of adjustment with our own resources," said Sr Zerbino.

After seeing average wage levels fall in real terms by 27 per cent over the last four years, and unemployment reach record levels of more than 15 per cent, the unions are finding it difficult to absorb further austerity. A general strike in April was only narrowly averted but there have been stoppages in most sectors of the economy ever since Sr Sanguinetti took over.

The fact that the unions have so far held back from an outright confrontation with the Government springs from an apparent awareness on the part of some union leaders, which is shared by the Parliamentary Opposition, that they would have the most to lose politically if the current dialogue were to break down. The Government has issued veiled warnings that it is quite prepared to hold a referendum on its policies, and seems reasonably confident that it would win based on recent opinion polls.

Ultimately, however, the future of Uruguay's nascent democracy will depend less on good intentions than on international factors. Despite an aggressive trade policy aimed at boosting its traditional exports of meat and textiles, the prospects of growth will be

limited if there is a fresh downturn in the world economy and protectionism persists.

Nearer to its own borders, any sudden interruption of the democratic process, either in Brazil or Argentina would have an immediate domino effect despite Uruguay's democratic traditions. It still has a military operating under the illusion that the nation owes them a favour for handing over power peacefully.

Not only did the Uruguayan armed forces stamp out the Tupamaro guerrillas in the 1970s without resorting to the genocide of their Argentine counterparts, but they never embarked on a militarist adventure such as the Falklands war.

This explains why the Sanguinetti Government has acted with considerably more deference towards the country's armed forces than Sr Alfonsín has done with the Argentine military. Uruguay has not imposed a sweeping purge of the high command and has avoided any detailed questioning of the military's record of torture, limited "disappearances," and financial corruption.

President Sanguinetti has also opted for a gradual, rather than immediate, reduction in defence expenditure. Nevertheless, General Hugo Medina, the army chief, still felt the need to mark Army Day two weeks ago with a criticism of the attacks which sectors of the Opposition have made on the "moral integrity" of the armed forces. It was a measure of the difficulties President Sanguinetti could face if the politics of consensus or the region fails to hold.

American Brands admits software piracy

By PAUL TAYLOR IN NEW YORK

THE U.S. computer software industry, fighting an uphill battle against illegal pirate copies of programmes, yesterday scored an important victory when American Brands, the U.S. tobacco and packaged goods group, admitted some of its employees made unauthorised copies of software and agreed to an undisclosed out of court cash settlement.

The deal settles a highly publicised law suit brought by Micropro International, the West Coast software manufacturer best known for its Wordstar wordprocessing package, and backed by the Association of Data Processing Service Organisations, an industry trade group which has been waging a war on software pirates.

The case, brought in January, marked a new high profile strategy for the software industry based upon bringing embarrasing law suits against big companies.

Software publishers in the U.S. believe that unauthorised copying of their products costs them hundreds of millions of dollars in lost revenues each year and some industry studies suggest that about 50 per cent of all business programmes in use on personal

computers are illegal copies. Computer software sales in the U.S. total about \$2bn (£1.7bn) a year.

Yesterday's settlement, made by American Brands' Wilson Jones office products unit, was announced in a joint statement by the industry group, which said the unit's top management did not condone the copying but had "agreed to take steps to make sure it does not happen again."

Mr David Etterevant, speaking on behalf of the association, said the group had reached other settlements without filing suit but added that more legal actions are likely.

Brazil shipbuilder wins much-needed contract

By ANDREW FISHER, SHIPPING CORRESPONDENT

ONE OF Brazil's leading shipbuilding companies, Companhia Comercio e Navegacao (CCN), has finally received a much-needed order worth about \$132m (£105.6m) to build tankers for Petrobras, the Brazilian state-owned oil company.

The order had been held up by problems at CCN, following the suicide in February of Sr Paulo Ferraz, its president and main shareholder. Petrobras was insisting on financial guarantees which the debt-ridden shipyard found hard to raise.

CCN's accounts are being investigated by a government commission as part of an inquiry into the use of government loans.

The new contracts, comprising firm orders for two ships and an option on a third, would keep the CCN yard in Rio de Janeiro busy until 1988, said Sr Helio Paulo Ferraz, the new president and son of Sr Paulo Ferraz.

The tankers will have a capacity of 55,000 deadweight tonnes. CCN, which employs 3,200 people, recently completed three 50,000 dwt bulk carriers.

Rescue bid for satellite

ASTRONAUTS on a U.S. space shuttle are to attempt to revive ailing satellite that has been drifting lifeless in orbit for the past six weeks, *Peter Marsh* writes.

In the repaid bid, due for August, the astronauts will try to fix a mechanical fault that stopped a U.S. Navy Leasat satellite from operating correctly when an earlier shuttle

mission injected it into space in April.

Hughes, the satellite builder, is to pay for the rescue attempt, which will be made during a routine flight of the space shuttle Discovery. A successful repair would save the satellite insurance up to \$80m (\$64m), the sum that it would otherwise have to pay in compensation to the U.S. Navy.

Gemayel, Assad hold third round of talks

By Tony Walker in Damascus

PRESIDENT Hafez al-Assad of Syria and President Amin Gemayel of Lebanon held a third round of discussions yesterday on political and security arrangements for Lebanon after the Israeli withdrawal.

The talks were held amid reports that a ceasefire agreement is imminent to end the fighting in Beirut's Palestinian refugee camps.

The four-point plan they discussed envisages a total ceasefire, the handing in of weapons to a neutral force headed by the Druze Progressive Socialist Party, withdrawal of Amal Shiite Muslim militiamen at least 500 yards away from the perimeters of the three camps, and for security in the camps to be taken over by police in conjunction with units of the Lebanese regular army.

Presidents Assad and Gemayel are understood to be discussing the possible implementation of far-reaching political and security reforms to bring peace to Lebanon once Israel withdraws, as it is expected to in the next few days.

Syria is demanding agreement on more equal power-sharing between Christian and Muslim factions in Lebanon as the basis for ending more than 10 years of conflict.

Christian domination of the political system has been enshrined in a Convention and instituted at the time Lebanon gained independence from France in 1942 when Christians formed a majority, but that is no longer the case.

Christians now constitute about 40-45 per cent of Lebanon's population compared with the Moslem's 55-60 per cent.

Moslem groups have been demanding a more equal share of power consistent with their numbers and political influence.

Kuwait arrests

Security forces have arrested 20 people suspected of involvement in a car-bomb attack on the Emir of Kuwait, the newspaper al-Qabas said yesterday, Reuters reports. The Emir, Sheikh Jaber al-Ahmed al-Sabah, escaped with scratches, but four people, including the suicide driver, were killed. The attacker, who rammed his car into the Emir's motorcade, was said to be an Iraqi.

Syria's grand design for Lebanon goes awry

By TONY WALKER IN DAMASCUS



Militiamen of Lebanon's Syrian Ba'ath Party pass posters of President Hafez Assad

PRESIDENT HAFEZ ASSAD of Syria has found himself in the uncomfortable position of seeing events in Beirut slipping out of control just when he expected to have a relatively free hand in fashioning a new Lebanon.

The savage battle for the refugee camps in the Lebanese capital has turned into something of an embarrassment for Damascus, whose Shiite Muslim allies have so far been unable to overcome Palestinian resistance.

There is a suspicion that Syria at least gave an "amber light" to Amal, Lebanon's main Shiite organisation, to go into the Sabra, Chatilla and Bourj Barajneh camps to eliminate Palestinian guerrillas who have been returning to Beirut for the past several months in anticipation of Israel's withdrawal from Lebanon.

What may have seemed like a reasonably straightforward operation for Amal in tandem with the well-armed, mainly Shiite Sixth Brigade of the Lebanese Army has proved to be the reverse, with Palestinian fighters beating off their Shiite attackers against formidable odds.

President Assad, who has watched his plans for a quiet Lebanon begin to unravel following Israel's expected pull-out by early next month, summed up the Lebanese leaders, including President Amin Gemayel, to Damascus for long-awaited talks.

The "summit" which was to have dealt with substantial questions concerning new powers-sharing and security arrangements, will instead have been preoccupied with how to stop the fighting between the Shi'ites and Palestinians on terms favourable to President Assad's grand design for a Syrian-dominated Lebanon. A virile Palestinian presence is not part of this design.

President Assad, who is credited on occasions with the skills of a "master puppeteer" in Lebanon, appears to have miscalculated on several counts. Not only did he underestimate Palestinian resolve in the face of the Shi'ite attacks, he also miscalculated the capacity of opposing Palestinian factions to close ranks under threat from a common enemy.

Syria's claims that Mr Yassir Arafat, chairman of the Palestine Liberation Organisation, was responsible for the conflict have cut little ice with even the PLO leader's staunchest critics among the Damascus-based Palestine National Salvation Front (PNSF).

Damascus's plans for the PNSF to play an enlarged role in representing Syrian interests in Lebanon at the expense of Fatah, the mainstream PLO faction headed by Mr Arafat, may have been permanently fractured by the events of recent weeks.

Mr George Habash, leader of the Popular Front for the Liberation of Palestine (PFLP), and called for direct Arab-Israeli negotiations before the end of the year.

U.S. officials welcomed a "significant" statement by King Hussein who said that "we are willing to negotiate a settlement in the context of an international conference on the basis of United Nations Security Council resolutions 242 and 338."

These resolutions call for an exchange of Israeli-occupied Arab territory for a full peace and recognition of Israel's right to exist behind secure borders.

It was unclear from the King's statement whether "we" also referred to the Palestine Liberation Organisation which last November reaffirmed its opposition to Resolutions 242 and 338.

Rebels blow up Mozambique rail bridge

By JIM JONES IN JOHANNESBURG

MOZAMBICAN rebels have blown up a railway bridge linking the country's capital of Maputo with South Africa, according to Mozambique's official news agency AIM. Reuters reports from Maputo.

The metal bridge was in the Ressano Garcia area, a few miles from the South African border. A railway bridge on the same line was damaged in another sabotage operation on April 26.

The agency said that last month's attack on the railway bridge had been carried out a day before a shipment of vital coal supplies.

Rebels of the Mozambique National Resistance have been waging a hit-and-run war against the Government since Mozambique's independence from Portugal ten years ago.

Geldenhuis to head South African Defence Force

By JIM JONES IN JOHANNESBURG

GENERAL Constand Viljoen, chief of the South African defence force, is to retire on October 1, slightly less than a month before his 60th birthday. He will be replaced by Gen Johan Geldenhuis, a man two years his junior. At present Gen Geldenhuis is chief of the Army.

Gen Viljoen denied speculation that his resignation has anything to do with last week's incident in which two South African soldiers were killed and a third captured in North Angola.

He said he was retiring to devote his entire time to farming and to allow Gen Geldenhuis a productive career before the mandatory retirement age of 55.

President P. W. Botha announced in Cape Town yesterday that Dr Willie van Niekerk, Administrator-General of South-West Africa, is to be appointed to the Cabinet as Minister of Health and Welfare in place of the late Dr Nak van der Merwe.

Mr F. W. de Klerk, leader of the Transvaal National Party and Minister of Home Affairs, is to become Minister of National Education and Scientific Planning; Mr L. T. Landers, a member of the Coloured House of Representatives, has been appointed Deputy Minister of Population Development; Mr S. W. Naecker, a member of the Indian House of Delegates, has been appointed Deputy Minister of Environmental Affairs.

Food shortage worsens in Sahel

By Peter Blackburn in Abidjan

FOOD SHORTAGES continue to grow in the three drought-affected Sahel countries of Chad, Mali and Niger, although the rainy season has started, according to a report from the United Nations Disaster Relief Organisation (UNDRO).

Rainfall has been insufficient to permit new crop plantings in Central Chad, South-West Niger and South Mali, the report says.

Some 200,000 Chadians have been forced by drought to abandon their homes, and more continue to converge on food distribution centres. The situation has "seriously worsened" in Mali, especially in the regions of Timbuktu, Gao, Mopti and Kayes, the report adds.

Castro may send more troops to Angola

By Michael Holman

Cuba's President Fidel Castro said yesterday that he was prepared to strengthen the estimated 25,000-strong Cuban military force in Angola if South Africa failed to grant independence to Namibia (South West Africa).

The warning coincided with talks in Paris between senior U.S. and Soviet Union officials on tensions in southern Africa.

The Cuban presence in Angola is a major issue in efforts to bring independence to Namibia and end the 17-year guerrilla war waged by the South West Africa People's Organisation (SWAPO).

South Africa, with U.S. backing, has refused to implement a UN settlement plan for the territory until the Cuban forces have been withdrawn.

President Castro's warning came during the second day of a visit to Cuba by Sr Javier Perez de Cuellar, UN Secretary-General.

"Not a single Cuban soldier will be withdrawn from Angola until real steps are taken towards the independence of Namibia," the Cuban leader said. "Instead, if more Cuban soldiers have to be sent, we will send more."

Namibia was expected to be high on the agenda at a meeting in Paris yesterday between Mr Chester Crocker, the UN Assistant Secretary of State, and Mr Willem Van der Stoep, a leading South African specialist on Africa.

The talks are part of a series of high-level meetings between the two major powers on world trouble-spots. The U.S. team in Paris may well be on the defensive. The intervention last week by Angolan soldiers of a nine-member South African allied sabotage squad within a few hundred yards of a U.S. operated oil facility came a month after Pretoria had claimed that all its troops in the country had been withdrawn.

The withdrawal had been welcomed by Washington, whose policy of "constructive engagement" with South Africa rather than economic sanctions and isolation has been coming under increasing criticism.

مكتبة النجف

Financial Times Friday May 31

Uruguay's leader
democrat

Uruguay's leader, President Bordaberry, has been elected to a second term in the world's first referendum on a democratic constitution. The vote was a decisive victory for the democratic forces, who won 90 per cent of the vote. The referendum was held on May 1, 1985, and was the first of its kind in the world. The constitution was drafted by a constituent assembly, which was elected in 1984. The assembly was made up of 100 members, 50 of whom were elected by the people and 50 by the military. The constitution provides for a multi-party system, a free press, and a judiciary independent of the executive. It also provides for a system of checks and balances between the three branches of government. The referendum was a landmark event in Uruguay's history, as it marked the end of the military dictatorship that had ruled the country since 1973. The new constitution was a victory for the democratic forces, who had been fighting for years to end the dictatorship. The referendum was a testament to the power of the people, and it showed that they were ready to take control of their own destiny. The new constitution is a model for other countries in Latin America, and it is a source of pride for the people of Uruguay. The referendum was a historic moment, and it will be remembered for generations to come. The new constitution is a testament to the power of the people, and it is a source of pride for the people of Uruguay. The referendum was a historic moment, and it will be remembered for generations to come.

Shipbuilder wins
needed contract

CCN's accounts of the shipbuilding industry in the United States are well known. The company has been a major player in the industry for many years. The new contract, which was awarded to CCN, is a significant victory for the company. The contract is for the construction of a new ship, and it is a testament to the company's expertise and quality. The contract is a major milestone for CCN, and it is a source of pride for the company. The contract is a testament to the power of the people, and it is a source of pride for the people of Uruguay. The referendum was a historic moment, and it will be remembered for generations to come.

Castro
send
more troops
to Angola

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CITIBANK

WORLD TRADE NEWS

EEC urges India to back fresh Gatt round

BY JOHN ELLIOTT IN NEW DELHI

THE EEC has launched a campaign to win over countries which are opposing a new round of Gatt negotiations on international trade. Yesterday senior officials of the European Commission met top Indian civil servants in New Delhi which is emerging as a leading opponent of the new round proposed by the U.S. and Japan as well as the EEC.

India wants a better enforcement of Gatt rights and safeguards in areas such as textiles, agriculture and tropical products before any new round is started. It also opposes the U.S.

initiative to include service industries, arguing that Gatt is the wrong forum.

The Commission officials have already visited Brazil, another key opponent, and are visiting the Philippines this weekend. They have been preparing the ground for a ministerial meeting in Stockholm next week which will be attended, among others, by Mr Vishwanath Prasad Singh, India's finance and Commerce Minister.

"India is sceptical about the advantages of a fresh round but is not hostile," said Mr Roderick Abbott, a director in

the external affairs directorate general of the Commission. After he had met Mr Prem Kumar, permanent secretary of the Indian Ministry of Commerce.

"India's attitude is that it would rather not open that Pandora's box," he said. It was "distasteful of the U.S. which might want to erode developing countries' preferential status" and it was "fearful that talk about introducing new areas might take attention away from existing problems."

Mr Kumar and other top

Indian officials told the Commission delegation developing countries wanted to see progress in committees set up after the last Gatt round on issues like textiles. India did not see how pressure on its own industries, which was causing great concern, would be reduced by a new round.

Mr Abbott said it was important for services to be included because invisibles made up 30 per cent of world trade. To exclude services would "conclude Gatt to a diminishing role in world trade and to the part that is not growing."

Nicaragua signs trade deal with Mexico

By Tim Coone in Managua

Nicaragua AND Mexico signed a new trade agreement on Wednesday worth some \$26m (£20.6m).

The agreement covers oil supplies and industrial materials for 1985. Under the agreement Mexico has offered to provide 320,000 barrels of crude oil on preferential terms to Nicaragua between July and September this year, and a further 410,000 barrels between October and December on terms still to be negotiated.

Ten days ago, Sr Daniel Ortega Nicaragua's president, announced that 80 to 90 per cent of Nicaragua's annual oil needs of some 4m barrels would be provided by the Soviet Union in 1985, due to Nicaragua's inability to meet the terms of Mexican oil supplies under the San Jose agreement of 1982.

The 1982 agreement lays down that beneficiaries of the San Jose accord must pay 80 per cent in cash on delivery of the oil and the remainder is converted into a long-term credit.

Nicaragua has paid only interest on Mexican crude oil supplies since 1981 and now has a debt with Mexico exceeding \$500m. Further meetings are to be held over the next three months to reach agreement over the repayment of the debt.

The new agreement includes a \$7m counter trade deal for 1985 in which Mexico is to provide raw materials for PVC and agro-chemical manufacture in return for frozen meat and shell fish. These products were formerly traded between Nicaragua and the U.S. until the embargo was imposed by the U.S. at the beginning of May.

According to Sr Luis Macias, the commercial attaché at the Mexican embassy in Managua, Mexico is to supply on cash terms tyres, vehicle spares and agricultural machinery that was formerly bought by Nicaragua in the U.S.

Total trade between Nicaragua and Mexico in 1984, excluding crude oil supplies amounting to \$25m, Sr Macias said that Wednesday's new agreement did not include any new trade credits to Nicaragua.

GE and Snecma to develop prop fan engine

BY MICHAEL DONNE IN PARIS

GENERAL ELECTRIC of the U.S. and Snecma of France have signed a new agreement to collaborate on the development of the new type of "prop-fan" aero engine, which GE calls the Unducted fan (UDF) engine.

Snecma will get a 35 per cent share of the work on the engine which is revolutionary in its concept and is designed to yield savings in fuel consumption of up to 35 per cent. The deal was announced at the Paris air show which opened yesterday.

Snecma has already started work on the initial development phase of the engine programme, and a decision on full scale development and production will come in 1987, with a view to making the engine available for airline service in the early 1990s.

The propfan is revolutionary in that it uses propellers with 12 blades shaped like a ship's screw instead of the conventional four bladed propellers currently used in turbo-prop airliners.

The result is claimed to be much lower noise, lower fuel consumption and less vibration.

All these claims have yet to be proved, but Mr Brian Rowe, vice president and general manager of General Electric's Aircraft Engine Business Group, said at the air show that his company had already done so much work on this new concept that it was convinced that it would not only be able to meet all of the U.S. Federal Aviation Administration noise regulations but that it would also be available in time for a new generation of airliners from 1992.

This time scale has been called into question, notably by Airbus Industrie which still has doubts about the propfan. Boeing of the U.S. is pursuing its own propfan studies with a view to putting such an aircraft into service in the early 1990s.

It was also revealed in Paris yesterday that British Aerospace has sold the Indonesian Government one of its Type 146 regional jet airliners worth over \$20m. The aircraft will be used for transporting the President of Indonesia and senior government officials. It is hoped that this will be the forerunner of further sales of the 146 to Indonesia in the near future.

China sets rules on technology imports

CHINA has issued new rules on its technology imports which forbid foreign firms from putting restrictive articles into contracts, according to the New China News Agency, Renter reports from a foreign firm.

The rules, which stipulate that products Chinese companies can make with the technology they buy, or which countries they can sell those products to.

"The regulations provide that the foreign party may not impose restrictive articles in a contract," it said.

"These (restrictive articles) include: the amount, variety and sales prices of products manufactured with imported technology, and stipulations as to sales channels and the export market," the agency said in a summary of the rules.

Companies exporting technology to China under license and other agreements have often relied on contractual clauses to protect their export markets from future Chinese competitors using their technology, one foreign analyst said.

He said that the regulations appeared to remove this protection. The rules came into force on May 24. They cover transfer of patents and industrial property rights, know-how related to production processes, formulas, designs, quality control, and technical services, the agency said.

Chinese firms will not be able to sign technology transfer contracts exceeding a 10-year term without special permission, and foreign firms cannot prohibit China's use of imported technology after the contract expires, the agency said.

Country profiles for businessmen

By Nicholas Colchester

SMALL AND medium sized companies considering trading or investing abroad are to be offered a new source of practical information on countries with which they are interested in doing business. The Macmillan Press, the publisher, has joined forces through Stockton, its U.S. subsidiary, with InterMatrix group, an international research and management consultancy firm, to produce a continuously updated series of country reports.

UK contractor wins port deal

By Wong Sulong in Kuala Lumpur

A MALAYSIAN associate of John Howard, the UK contractor, has won a \$811.3m (£3.73m) order to build two roll-on/roll-off terminals at the Kuantan and Kuching ports, Malaysia.

The terminals are the first stage of a ferry link between Kuantan on peninsula Malaysia and Kuching and Kota Kinabalu in East Malaysia.

The contract was won by Matra-Howard, a joint venture between John Howard and the Malaysian Transnational Trading Corporation.

The terminal at Kuantan is expected to be completed by August and the one in Kuching in November. Posford Pavry are the consulting engineers for the Kuantan terminal, while Sir Bruce White, Wolfe, Barry and Partners is the engineer for the Kuching terminal.

Cockfield pledge on EEC trade barriers

BY QUENTIN PEEL IN BRUSSELS

THE FIRST indication of a new approach in the European Commission campaign for the removal of barriers to free market within the EEC was outlined yesterday by Lord Cockfield, the European Commissioner responsible for the internal market.

The plan is to tackle physical, technical and fiscal barriers to trade regardless of whether they affect goods or services—and thereby hopefully speed up their removal.

Cockfield promised the publication of a detailed timetable for removal of all remaining barriers by 1992, in the form of a European Commission white paper on the internal market. "In the next two or three months," he said, "we will be discussing the Milan summit" of EEC leaders.

Speaking to a joint Institute of Directors and Kangaroo Club meeting in London, he warned that if the timetable were to be met the Community would have to develop new procedures "to handle the vast amount of Community legislation that would be needed."

Lord Cockfield said the White Paper would no longer seek to tackle market barriers according to whether they affected people, goods or services, but rather according to the type of barrier: physical, technical or fiscal.

The most obvious would be to link obstacles to trade in both goods and services, and to accelerate the much slower progress in liberalisation in the service sector.

Drop in use of Swiss scheme

By John Wicks in Zurich

SWITZERLAND'S exporters made much less use of the national export risk guarantee scheme (ERG) last year, according to a government report.

Declining use of the ERG coverage meant that the fund's premium income fell off by 19.5 per cent over the year to SwFr 71.2m (£21.8m). Guarantees covered a sum of only SwFr 2.26bn, compared with SwFr 8.4bn in 1983. Only 400m of the 1984 total involved the insuring of currency risks.

Since guarantees covering some SwFr 7.2bn were lifted last year on payment or annulment of export contracts, the ERG's initial commitment dropped to SwFr 15.5bn, against SwFr 17.9bn at the end of 1983.

Fears on finance as HK island line opens

BY MICHAEL CASSELL, PROPERTY CORRESPONDENT

HONG KONG'S rapidly improving transport system today reaches another milestone in its development with the opening of an HK\$11bn (£113m) extension to the territory's mass transit railway.

As the system opens there is concern about the Mass Transit Railway Corporation's finances and evidence that it will not attract the number of passengers originally forecast.

The extension to the railway, which has become the most densely utilised system of its kind in the world, was built by 75 contractors from Hong Kong, UK, Japan and France.

Sir Edward Youde, Hong Kong's Governor, this morning takes an inaugural ride on the

12.5 km Island Line route, which increases to 38 km the territory's recently developed Mass Transit Railway network.

Each day, about 1.2m passengers use the network, the first section of which opened in late 1979. About 46,000 people a day use each kilometre of the route, compared with the 40,000 per kilometre a day on Tokyo's system and 4,000 on London's.

The new line can handle 1m people a day, although it is only expected to be carrying around 300,000 new passengers a day by the year-end. This represents a significant decline on forecasts made in 1980 when approval for the new line was given. The drop is largely attributed to reduc-

tions in journey times for buses on Hong Kong island, resulting from road improvements and the introduction of private vehicles.

The Mass Transit Railway Corporation, set up in 1975, has raised HK\$24.5bn (£2.6bn) for investment in the network of which the government has provided HK\$5bn. The remainder was raised through a combination of credit finance and commercial loans.

Last year, after interest and finance charges, the corporation recorded an operating loss of HK\$45m. By 1990, however, it expects to generate sufficient revenue to meet current operating costs and loan repayments.

Mr Newton has warned that

because loan interest on the Island Line has been capitalised and must now be charged to profit and loss account, shareholders' funds are being depleted at an accelerating rate.

Mr Newton said it would be some time before they could expect to see a positive cash flow. "We have got to the situation when shareholders' funds become negative and the corporation's liabilities exceed its assets. Technically, we would be bankrupt."

It is understood that the government, which is the only shareholder, might consider steps to improve the railway's financial position later this year.

OECD WORLD ECONOMIC OUTLOOK

Difference in world growth rates likely to narrow

BY MAX WILKINSON

RECOVERY in the industrial world is now well over two years old the OECD says, and the pace of fastest growth appears to have been passed. Growth is expected to continue, however, at the recent slower rates, and the striking difference between growth rates in North America, Japan and Europe are expected to continue to narrow.

Last year real domestic demand grew at 8.4 per cent in the U.S., 4 per cent in Japan and 4.1 per cent in Europe. In the forecast period up to the end of 1986, domestic demand growth in the U.S. and Japan is expected to be between 3 and 5 per cent but Europe is expected to remain a laggard with growth of only about 2 per cent.

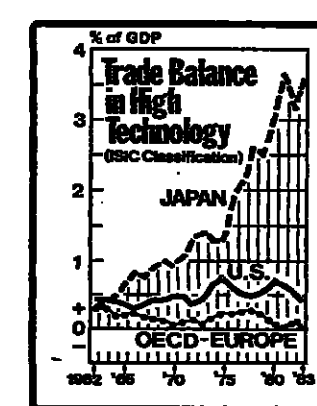
The OECD says that one unusual feature of the recovery so far is the buoyancy of private investment in the U.S. and Japan, in spite of high real interest rates and large unexpected swings in exchange rates, as a substantial margin of spare capacity. This buoyancy is expected to continue.

In the U.S., private non-residential investment reached a postwar record in 1984 as a proportion of national output and the ratio in Japan last year reached its highest level since 1973. Further increases are forecast for both countries.

Even in Europe, the movement has been upward, though at a much slower rate. By 1984 the ratio of investment to GDP in Europe had not even returned to its level of 1980. Investment here, in marked contrast to Japan and the U.S., appears to have been channelled into rationalisation, rather than expansion of capacity. The OECD suggests that this is consistent with the steady rise of unemployment.

Overall, the OECD paints a depressing picture of Europe as something of a backwater among the developed economies. It says that Europe's better productivity record than the U.S. in recent years "is linked rather to stagnant employment than to higher output."

The OECD says that Europe has been partly rescued from its lack of success in adapting to changes in global demand, by



the unexpected boost received from the strength of the dollar and the U.S. recovery, has helped European exports.

Analysis of different patterns of trade by the organisation suggests that Europe has steadily improved its trade balance in food, raw materials and low technology. Recently, however, it has fallen behind badly in trading performance in medium and high technology goods. The Japanese performance far outstripped that of both Europe and the U.S.

The OECD says: "More disturbingly, despite considerable Government interest in and encouragement of high technology in Europe over the years, its trade balance appears to be on a downward trend to become a net supplier to the rest of the world of food and raw materials."

The main risks to world growth set out by the OECD are:

- A slowdown in the U.S., with a sharp fall of the dollar.
- Uncertainties surrounding prospects for third world countries particularly those with large debts. High interest rates, weak commodity prices and decelerating growth in the industrial world, could hit their imports more strongly, than expected.

● A possibility of a sharp fall in oil prices. Although a slow downward drift in oil prices would be generally beneficial for growth, the OECD says, the disruptive effect of a sharp fall could reduce world demand in the short run.

Strategy needed to cope with U.S. changes

BY MAX WILKINSON, ECONOMICS CORRESPONDENT

THE RISKS to the world economy of a slowdown in U.S. growth, with a possible collapse of the dollar as dominant themes in the latest economic outlook from the Paris-based Organisation for Economic Co-operation and Development (OECD).

The organisation's central forecast, published yesterday, suggests that all these risks could be avoided. Its projections show moderate growth of about 3 per cent a year continuing in the industrial world up to 1986 with inflation stable at 4.1 per cent. However, unemployment would remain high and even rise slightly in Europe.

But the organisation stresses that this forecast is based on the technical assumption that exchange rates, including that of the dollar, will remain unchanged. Since an unchanged dollar would produce a forecast U.S. balance of payments current account deficit of \$145bn next year, with a rapid build up of foreign debt, the OECD believes this assumption is implausible.

It says that although the high dollar is one cause of the large and growing U.S. current account deficit, the rapid growth of domestic demand in the U.S. has been a more important factor.

But whatever the cause of the trade deficit, the U.S. could in 1985 become a net international debtor for the first time since the first world war.

Much of the outlook is therefore devoted to a discussion of how an adjustment in the U.S. might take place, probably by a fall in the dollar.

This could happen quite slowly. In this case the results would be relatively benign as interest rates outside the U.S. could adjust downwards while improved U.S. exports could tend to accelerate.

The report says however that the threat of a plunging dollar could force the U.S. authorities to raise interest rates to avoid inflationary expectations being rekindled. This could "have serious effects on the recovery, not only in the U.S. but elsewhere too," it says.

The OECD says that action to reduce the U.S. federal budget deficit would be a key condition for stability in the medium term. It believes the main consequences would be:

- Contraction in the U.S.
- Downward pressure on prices elsewhere.
- Lower dollar.
- Reduced activity in the rest of the industrial world.
- Consequent cuts in interest rates outside the U.S. would probably not be enough to offset the effects of the decline in activity in the absence of specific changes.
- The U.S. current account deficit would improve, but would probably remain substantial for some years.

Economic growth outside the U.S. would be hit in one or two ways. Lower U.S. interest rates

OECD FORECAST			
	1984	1985	1986
Real GNP (annual % change)			
United States	4.8	5.1	5.1
Japan	5.8	5.1	4.4
W. Germany	2.4	2.4	2.4
OECD Europe	2.6	2.4	2.4
Total OECD	4.9	5.1	4.4
Inflation (consumer prices)			
United States	3.2	3.1	3.1
Japan	2.1	2.1	2.1
W. Germany	2.1	2.1	2.1
France, UK, Italy, Canada	6.0	5.1	5.1
Total OECD	4.9	4.2	4.2
Current balances (\$bn)			
United States	-101.6	-120	-145
Japan	35.0	39	48
W. Germany	1.2	1.2	1.2
OECD Europe	9.2	16	29
Total OECD	-45.4	-72	-74
Unemployment (% of labour force)			
United States	7.5	7.1	7.1
Japan	2.7	2.4	2.4
W. Germany	8.3	8.1	8.1
OECD Europe	10.1	11	11
Total OECD	8.4	8.1	8.1

and a loss of confidence in the American anti-inflation policies could lead to an accelerated fall of the dollar, so that U.S. net exports would increase, with a corresponding negative impact on demand in the rest of the world.

Alternatively, if the U.S. were to react to pressure on the dollar by raising interest rates, U.S. activity would be depressed so that other countries would experience weaker exports. The organisation concludes that "increasingly careful consideration" must be given by the U.S. to its partners to a co-ordinated

strategy to offset the adverse effects of U.S. action to reduce its budget deficit.

"Without such action, imbalances in the world economy could build up to unmanageable proportions. But large international balances are seldom a matter requiring correction by one country alone."

The countries pressing the U.S. to take bolder action should therefore consider how their own policies might help. The OECD acknowledges the need for other countries to be cautious in expanding their

economies, and it praises their efforts to get rid of structural obstacles to growth. However, it says, these efforts to improve the supply side of the economy, may be slow to take effect.

"Experience suggests that significant action on the supply side, such as reducing industrial subsidies, barriers to trade, or the strength of employment protection measures, will continue to be difficult until growth is somewhat faster and unemployment is starting to fall."

It adds: "On this argument, action on the demand side may be warranted." The OECD's suggestion, phrased cautiously, is that in countries where inflation and budget deficits are under control but which have slow growth and high unemployment, measures such as tax cuts could be considered.

In addition to the risk of high unemployment, the OECD points out that slower growth in the industrial world with perhaps a rise in interest rates could have serious consequences for debtor countries.

It says that in spite of progress in managing Third World debt and in adjusting policies amongst the debtor countries, there are signs... of a slackening of these painful but necessary efforts and inflation has been rising.

"Unless this tendency is checked, the prospects for import moderation and continuation of the reorientation of these economies towards exports will darken."

World trade expected to grow by 5% this year

BY PHILIP STEPHENS

A FURTHER rise in the U.S. current account deficit both this year and next is likely to be mirrored by growing surpluses in both Japan and Europe, the OECD says in its analysis of the outlook for world trade.

The volume of world trade is likely to remain buoyant both in 1985 and 1986 but the pace of growth is likely to slow from the rapid rate seen in 1984.

It predicts an expansion of around 5 per cent this year and next compared with the 9 per cent seen in 1984.

The U.S. current account deficit is forecast to rise to \$120bn in 1985 and to \$145bn in 1986. The U.S. may reach a net debtor position of \$100bn in 1988. Japan will remain one

of the main beneficiaries of strong U.S. import growth and its current account surplus is likely to rise to nearly \$40bn this year and closer to \$50bn in 1986.

European nations are also expected to move into a position of strong current account surplus, with the figure for the four largest economies put at \$8.5bn in 1985 and twice that amount next year.

Within the overall pattern, however, a number of countries like Italy, Greece, Ireland and Portugal may continue to run substantial deficits, and the improvement in Britain's surplus will be due entirely to the boost to oil exports provided by the end of the miners' strike.

Jobless level to rise again

By Philip Stephens

Sustained economic growth in the major developed countries is unlikely to be enough to prevent a further rise in unemployment next year, with Europe continuing to bear the brunt of the increase.

The OECD predicts that the average unemployment rate will edge up to 8.1 per cent by the end of 1986 from the present 8.1 per cent. The overall figure, however, conceals significant disparities between trends in Europe, the U.S. and Japan.

European economies, which are already suffering from the highest unemployment rate in 50 years can expect a further significant increase in their jobless totals.

The OECD projections suggest that there will be 19.1m people out of work in Western Europe by the second half of next year, 500,000 more than at present. The unemployment rate will rise from 11 to 11.1 per cent.

In contrast, the rate in Japan is likely to remain stable at only 2.4 per cent and in the U.S. at 7.1 per cent.

The rise in European unemployment is likely to be the strongest in France, Belgium and Ireland, is forecast despite the OECD's expectation of a parallel increase in the number of people in jobs.

It concludes that this increase in employment is unlikely to average to keep pace with the natural growth of the labour force, although in the UK and West Germany it may result in a small drop in the unemployment total.

The Organisation says that the wide disparity between countries and regions partly reflects differences in economic growth but it may also mirror differences in the adjustment routes taken by the major economies after the oil price shocks of the 1970s. It contrasts developments in the U.S. where real labour costs and productivity grew more or less in parallel to the experience in Europe where until last year labour costs rose much faster than productivity.

The conclusion is that the "flexibility" of labour costs in the U.S. allowed a much quicker recovery in employment than the more "rigid" wage bargaining systems in Europe.

China sets rules on technology imports

CHINA has issued new rules governing technology imports, according to a report from Peking. The rules, which are the first of their kind, will apply to all foreign firms operating in China. They require that all technology imports be approved by the Ministry of Science and Technology. The rules also require that all technology imports be for the purpose of improving China's technology level. The rules are expected to be implemented in the near future.

IN 1977, a study by Arthur D. Little, the management consultants, on new high technology based firms in the UK and West Germany described Membrain as "virtually a textbook example" of what they were seeking to identify.

Davies had acquired engineering experience in a large business, Plessey; he had learnt how to raise capital and run a small business; and he had concentrated on product development.

His basic business was automatic test equipment (ATE), used in the manufacture and maintenance of electronic equipment such as printed circuit boards and semi-conductor memories.

By the following year, 1978, Membrain's pre-tax profits topped £200,000 on sales of £2m. The position then changed dramatically. One of Davies' main venture capitalist backers, the French company EED, failed as a result of overtrading.

Davies faced a choice: either he tried to buy out EED's 30 per cent stake or he could try to place it in friendly hands. In the event, neither proved possible. Membrain found itself facing a number of takeover bids, notably from Schlumberger, the Franco-US oil services conglomerate. Davies plumped for Schlumberger, believing that a promised "hands-off" approach would prove more attractive to his staff.

Davies took up a senior management post within the new group; very soon, he was heading a three-man team sizing

Innovation

The starters and the finishers

Lionel Barber on the lessons of an entrepreneurs career

THE STORY so far. A young British electronics graduate, Tony Davies, defies City of London sceptics and sets up his own high technology company, liquidating most of his personal assets and raising £2,000.

Within five years, Davies' company, Membrain, belatedly backed by French and British venture capitalists, has won a Queen's Award for

Industry and is notching up impressive profits. Then Davies sells out.

"People who start things," says Davies, smiling as if in self-recognition, "are rarely people who finish things."

But this is by no means a British half-success story. Davies' subsequent career, and the progress of Membrain under the new

ownership of Schlumberger offer some important lessons: how to combine the free-spirited innovation of the start-up company with the need for a more disciplined approach as the company grows; and how, in Davies' new high-technology venture, he has again found that a low-volume, high-cost product has proved the most effective defence against foreign

For some two years, he had served as a non-executive director of a firm called Computer Technology (CTL), originally set up by Iain Barron, who later went on to establish the bold but risky micro-chip venture, Immos.

By 1980, CTL was effectively being run by City institutions which held most of the equity. It was an unhappy set-up and the institutions wanted to reduce their holding. With



Tony Davies

attract the competition of powerful multinationals but instead identify high margin niches which they are unlikely to bother about.

Davies has three main business main computers, work stations for the automated office and what Davies refers to as "communications glue"—local area networks, all grouped together in one company, Information Technology.

Davies is supplying £100,000

Why Membrain had to learn some different rules

"IF SCHLUMBERGER has got nothing else," says one of the Franco-American multinational's UK middle managers, "it has got money."

Last year, Schlumberger's revenues amounted to some \$6bn. But those associated with Schlumberger's acquisition of Membrain in 1978 see its role so far as more than merely bankrolling a high-risk enterprise.

"There was not only a need for resources," says Rob Tucker, product marketing manager, "you have to remember that in 1980, Membrain did not have a really wide product range."

Schlumberger management, faced with the need to develop such a range within three or four years, found itself fighting on two fronts: modifying the Davies-dominated management at Membrain, while simultaneously trying to integrate

another new acquisition, Fairchild.

There was a certain comic irony. Back in 1977, Fairchild itself had sought to acquire Membrain to complement its board test equipment business. Since then, its better-known semi-conductor production had run into trouble, while its other front-line business, component testing, was also faltering. The natural decision was to separate Fairchild's board testing business and link it with Membrain's.

In September 1984, Schlumberger announced that this dual management and technological challenge had finally been met. A new company, Factron, piecing together the Fairchild and Membrain board testing equipment business, was formed along with new products for the UK and U.S. markets, the Series 730 and the Series 735.

But behind the £250,000

European advertising campaign, proclaiming "the most important news of 1984 for the European electronics industry" lay a series of key management decisions by Schlumberger.

● Changing a low-volume, design-oriented Membrain business into one more suited to a future high volume market.

● Modifying the "autocratic" management of the old Membrain which was overdependent on Tony Davies to a more decentralised approach favoured by Schlumberger.

● Setting up in-house competition between Fairchild and Membrain to establish which team could produce the model for the new board testing equipment.

● Preparing both the workforces at Membrain and Fairchild which would formally signal

child for the creation of Factron integration.

But these management objectives were not always complementary. Art Buckland, general manager at Factron in Wimbome, Dorset, explains, "We emphasise decision-making should be pushed down to the front-line," but he concedes that creating a transnational identity called Factron tends to work against the proposed decentralised management style.

Equally, Buckland is adamant that he wishes to preserve, as far as possible, the innovative spirit kindled by Tony Davies inside the old Membrain. Though Schlumberger's hand is far from heavy, there is still pressure from the centre for the fundamental aims of maximising growth and profit. "You can't ignore that," says Buckland, "you just have to find ways round it."

Buckland says he spends a great deal of his time as general manager persuading the middle management and engineers among the 500 strong UK workforce that they should take decisions rather than take orders.

"We are destroying hierarchy and creating a more egalitarian environment. Without this, we are dead as a company."

So far, it seems to be working. After some initial difficulties in the early 1980s, when firms were cutting back on investing in automated capital equipment, Factron has picked up some important orders, notably supplying test equipment for the IBM PC.

But what if Membrain had survived intact and independent and the French fairy godmother had failed to appear? Buckland says he admires Tony Davies' creation, but he believes it

mini computers for "transaction processing" where hundreds of bits of information are sent by the minute into a central file. Hewlett Packard and Wang are competitors, but Davies reckons he can come out on top by tailoring his products to individual corporate needs.

The same applies to the local area networks and the office stations. The networks, for example, can simultaneously handle computer traffic and closed circuit TV and are 50 per cent higher in price than the competition.

The heavy investment in research and development has held back earnings. In 1980, the first year of trading, pre-tax profits were £581,000 on £7.2m turnover; in 1984 pre-tax profits had risen to £1.05m on £25m turnover.

Inside Information Technology, Davies has now withdrawn from being chief executive, confining his role to chairman, overseeing future development of the group. He has also consciously adopted a U.S.-style board with separate audit and compensation committees seeking to maintain checks and balances.

These are all useful devices to check Davies' occasional presidential impulses. They give the impression of a cautious, conservative management style not immediately identifiable in the high technology company. But as Davies says: "We may not be the most exciting or glamorous company, but it is always much better to minimise the downside risk."



LONDON'S new centrally located hotel, the New Piccadilly, is on target for an August opening. The former mid-bracket Piccadilly is being revamped into a de luxe operation by the Greentree group. Latest moves include a decision to make one floor non-smoking and allocate a section of the restaurant to non-smokers.

A RASH of complaints about first class seating in scheduled Boeing 747 aircraft seems to be bringing about changes. Although wide-bodied for a medium haul jet it is narrower than a DC-10 or 747 (Boeing itself calls the 747 a semi-wide). Customers think they are going to get jumbo seating and don't in a six abreast configuration the seat room is considerably less than in a similarly planned 747. TWA is replying with a move to five abreast, and 747-width seats, leaving an odd line of single seats down the middle of the first class section. Customer reaction is awaited.

EUROPEAN Savers, the five-day cheap return fares available from railway stations in Britain to many European destinations are now more widely available. Up to four nights can be spent at the destination, the five-day validity commencing on arrival at Continental port. You can buy European Savers to any station in the Netherlands, Belgium or West Germany; to most stations in France and selected destinations in Switzerland and Luxembourg. Examples of return fares from London include Paris, from £35, Brussels £34, Amsterdam £33, Cologne £32, Cannes £32.00 and Lausanne £39.30.

HILTON International is to go global with its No stop check-out system in June. Under the scheme you have to use a major credit card and tell the check-in clerk that you want a no-stop system. The night before departure the hotel pushes your credit card receipt and an itemised statement under your door. If you agree with the charges you just drop your key in a lobby box and walk out. The system has been on test in Canada and is now being expanded worldwide.

BRITISH Airways is to increase the frequency of its flights from London to Nairobi next month to cope with higher demand. A new Monday flight out, Tuesday

back, will bring the schedule to seven round-trips a week including two daylight departures on the service to London.

HILTON is repeating its highly successful 1984 room and car arrangement in Zurich this year. For the basic room rate (SwFr 210 for a single room) you also get an economy car from Europcar for 24 hours with unlimited mileage.

BRITISH Airways has produced an enlarged Mini-stay brochure for stopovers on its Far East and Australasia services. Two new Thai resorts, Phuket and Chiang Mai, and trips into mainland China have been added to the popular stopover listings of such destinations as Hong Kong, Singapore and Bangkok. The stopovers include airport transfers, bed and breakfast and sight-seeing tours. Fairly typical are £62 for a one-person, one-night stay in Kuala Lumpur (Holiday Inn), £63 for the same in Bangkok (Inter-Continental) and £77 for the Manila Hotel in Manila although in theory there is a £12 basic price for a night in Singapore.

BRITISH Rail says it will have telephone services installed in more than 130 InterCity trains, including all the new Pullman services, by the end of this year. The phones can be used for both domestic and international services.

THE Hyatt in Singapore is about to become the largest hotel in the country. The 12-storey Regency Terrace building should be open in July as an addition to the present Hyatt Regency and, with its 350 rooms and suites, brings the size of the property to 1,100 rooms.

AVIS has linked with British Airways to produce a worldwide free-wheeler programme for the UK market. It offers car rental at pre-agreed unlimited mileage rates which, the two say, will largely remain in force for at least a year. The deal is really aimed at the leisure market but in the absence of special corporate rate deals which might give better rates to particular users, the scheme could be of interest to the business market. Rentals are for three days upwards.

EUROPCAR has introduced a fly-drive car rental service in association with the new British Rail/Dublin City Helicopters helicopter link across the Irish Sea. Daily European rates for helicopter passengers range upwards of £23 (Irish £28) per day for a car such as the Ford Fiesta.

Arthur Sandles

Jobless level to rise again

Jobless level to rise again. The OECD predicts that average unemployment will edge up to 8.1 per cent by the end of 1985 from 7.9 per cent in 1984. However, significant differences between trends in Europe, the U.S. and Japan. European economies are already suffering from the highest unemployment rate in 30 years on average. Further stimulus (income tax cuts) is needed. The OECD predicts that there will be 1.5 million more people out of work in Europe by the end of 1985 than in 1984. In the U.S., the rate is expected to rise to 8.1 per cent by the end of 1985 from 7.9 per cent in 1984. The rise in Europe is likely to be more significant than in the U.S. and Japan. In contrast, the rate in Japan is like to remain stable at only 5.1 per cent. The U.S. rate is expected to rise to 8.1 per cent by the end of 1985 from 7.9 per cent in 1984. The rise in Europe is likely to be more significant than in the U.S. and Japan. 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UK NEWS

Spending by visitors to Britain surges 40%

BY ARTHUR SANDLES

BRITAIN'S gain from its present flood of foreign tourists may be even greater than some optimists have predicted. Official figures for March - the first true month of the tourist year - show a 40 per cent increase in spending by overseas visitors, compared with March last year, to £310m.

Shops, restaurants, car rental groups and hotels in the UK's tourist areas - including London, Bath, York and Edinburgh - are benefitting from an unprecedented flow of foreign business.

The rise in the number of visitors in March was only 6 per cent at 880,000. The difference between this rise and that in spending seems to confirm the view that American visitors are using the high exchange rate of the dollar to regard the UK as a cheap place to shop.

So heavily have visitors been spending money in the UK that the

tourism account for the first quarter of this year showed a surplus of £80m. This is the first such surplus for some years and compares with a deficit of £70m in the same quarter of 1984. (A tourism surplus is usually produced by adding in money paid to UK airlines and ferries).

This surplus is even more remarkable when it is seen that in the first quarter the number of foreigners coming to Britain at 2.33m, was substantially below the number of Britons going abroad, which was 3.10m.

In that quarter the number of North Americans coming to the UK rose by 29 per cent. That growth seems to have continued. London's hotels are now turning away any further package tours.

A big test will come next month when the American Bar Association holds its annual convention in London. There are estimates that

the total number of delegates, spouses, press and others will be between 15,000 and 30,000 people.

The boom in foreign spending in the UK comes at a time when the companies involved in taking the British abroad are having a poor season - although there are indications of a revival. The provisional first-quarter figures indicate a 2 per cent fall in the numbers of Britons going abroad, although they did spend 11 per cent more money.

There was a fall in visits to many destinations, but not to North America. The numbers of Britons travelling to the U.S. and Canada rose by 3 per cent.

Provisional estimates for the whole of 1984 show that the UK had a record tourism year, with new peaks for visitors (13.7m) and trips abroad (22.1m). Income and spending both rose by 14 per cent, producing an increased tourism deficit

Oil unions offer jobs cut to save refinery

By Philip Bassett, Labour Correspondent

TRADE UNIONS in BP Oil yesterday put forward radical proposals for the company's Llandarcy refinery in South Wales, which include a voluntary cut in manpower of at least 30 per cent and cross-demarcation labour flexibility in an effort to save the plant from closure.

BP said earlier this year that the refinery would close because of a decline in profitability due to overcapacity in the industry.

Under the plan, about 750 out of the plant's 1,100 employees would lose their jobs, with smaller volumes of BP's own crude being processed under contract at Texaco's more modern refinery in nearby Pembroke. The remaining 350 jobs at Llandarcy's lubricants plant would be unaffected.

Unions yesterday presented to the full BP Oil board their options for the refinery, which were drawn up with the help of management consultants and outside labour movement researchers.

One union option includes a cut in manpower to 800, some closure of peripheral activities and new manning agreements. A second option includes halving the crude oil output and mothballing certain units with savings in manpower.

Unions said closure of Llandarcy would lead BP to import oil to meet domestic demand. Their proposals would ensure a continuing positive contribution to the UK balance of payments. They said: "It is ironic that it should be left to the trade union side to fight the Exchequer's corner against a company in which the state has a significant shareholding and which claims to represent 'Britain at its best'."

PWR WILL PROVIDE DEFENCE PROPULSION SYSTEM

UK-designed reactor for Navy

BY DAVID FISHLOCK, SCIENCE EDITOR

BRITAIN IS close to completing the first British-designed pressurised water reactor (PWR), the type of nuclear reactor examined by the two-year Sizewell B public inquiry which ended earlier this year. It has been built as the heart of a £300m project to provide the Navy with a nuclear propulsion system for the 1990s.

The reactor, called PWR2, has been under construction since 1980 and is scheduled to come into operation at the Vulcan Naval Reactor Test Establishment at Dounreay in the north of Scotland in 1987.

The factory-built reactor is being prepared at Barrow in Furness this weekend for the 380-mile sea journey from Morecombe Bay to Dounreay, where it will serve as a training and development reactor for the Navy's nuclear propulsion programme.

It is almost complete except for its nuclear fuel core - the size of a dustbin - and is built into a 1,300 tonne assembly awaiting a tow to Dounreay on a big submersible barge called Glant 2. The cargo will not be radioactive, for its nuclear core will not be needed for nearly two years.

The reactor is expected to yield 50 per cent more power than any the Navy is operating today. The first production model is intended

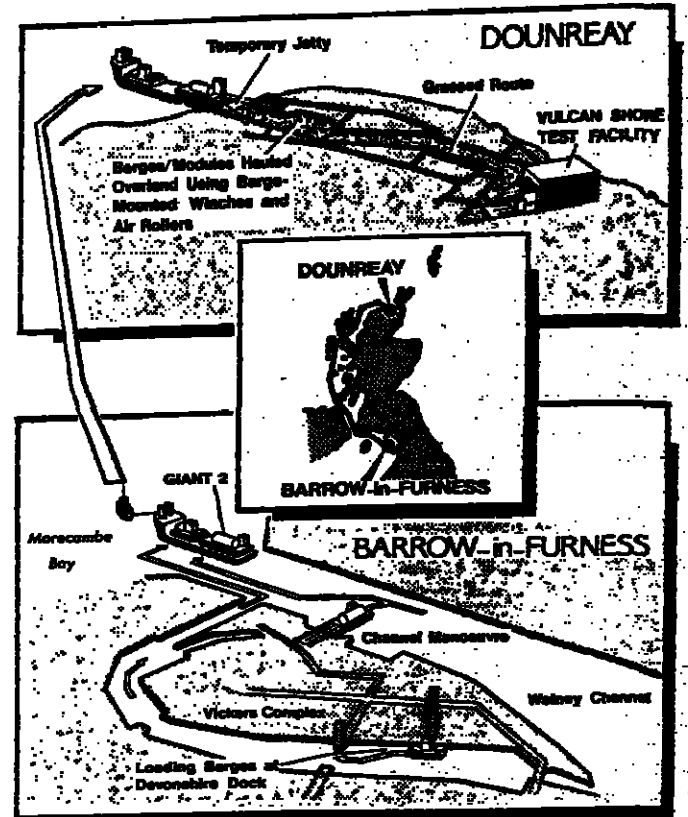
for Britain's first Trident submarine, more than twice the size of its Polaris missile submarines. It will also be used in a new class of hunter-killer submarines, swifter but quieter than those now in service.

PWR2 has been designed and built by Rolls-Royce and Associates, a defence consortium which includes Babcock International, Foster Wheeler, and Vickers. They designed it to take account of the Navy's requirements for higher performance - higher output, less noise, longer-lived fuel, and greater resistance to shock.

They also complied with the higher demands on nuclear safety required in the nuclear power sector, so the new reactor conforms with civil PWR safety standards in Britain. The pressure vessel was forged by Creusot-Loire in France, which also has a design contract to forge the Sizewell B pressure vessel.

PWR2 is expected to start its sea journey next Tuesday or Wednesday weather permitting - and to arrive within three days. The final leg of the journey from Sanside Bay, over a mile to the newly-built reactor building, is expected to take about 10 days.

The cost of this unique transport operation is estimated at £4m-5m, depending on any unforeseen difficulties en route. The alternative would have been to assemble the reactor in situ, which would have meant accommodating a large number of nuclear specialists from Barrow at Dounreay for about seven years at a substantially high cost, the Navy says.



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Laker lawyer seeks \$60m

BY DUNCAN CAMPBELL-SMITH

MR ROBERT BECKMAN, the U.S. lawyer who has advised Sir Freddie Laker for many years and has acted as legal counsel since 1982 to the liquidator of Laker Airways, is demanding \$60m as his share of any agreed out-of-court settlement to the \$1.05bn civil anti-trust suit brought on behalf of Laker Airways' creditors against British Airways (BA) and 11 other defendants.

BA and its co-defendants proposed a settlement on May 8 which would be worth a total of \$65m, which would provide \$8m each for Sir Freddie and Mr Beckman.

Sir Freddie has indicated his willingness to accept this figure in principle, but Mr Beckman has consistently refused to consider \$8m in

private talks since then - and yesterday re-affirmed his objections before a U.S. judge in Washington. Judge Harold Greene, who is presiding over the civil suit, received both parties to the dispute in his chambers. BA's lawyers had hoped to present him with a formal acceptance of their May 8 terms. Instead, Mr Beckman's insistence on a \$60m pay-off appears to be as big an obstacle as ever.

Failure to reach agreement on a full settlement of the case is holding up the UK Government's plans to privatise BA. The parties agreed yesterday that representatives of both sides should meet again with Judge Greene on June 3.

Mr Christopher Morris, the Laker Airways liquidator from London

accountants Touche Ross, originally retained Mr Beckman on a "contingency fee" basis. This arrangement, relatively common in the U.S., provides for counsel in a damages action to receive a percentage of whatever settlement is eventually made to his client. If no damages are awarded, no fees are payable.

The percentage agreed between Mr Morris and Mr Beckman has never been disclosed. The contractual arrangement would oblige Mr Morris to negotiate a payment agreeable to Mr Beckman in the event of an out-of-court settlement of his suit.

Minister claims drop in strikes due to law on union ballots

BY PHILIP BASSETT, LABOUR CORRESPONDENT

THE GOVERNMENT'S labour legislation requiring ballots before industrial action could take a major part of the credit for the fall in the number of strikes so far this year to the lowest for 50 years, Mr Tom King, Employment Secretary, said yesterday.

Figures published this week, show only 239 strikes notified to the Department of Employment in the first four months of this year, compared with 510 in the corresponding period in 1984. It is the lowest total for this period since 1935.

Mr King said that the pre-strike ballot provisions of the Trade Union Act 1984 had made a "major contribution" to that fall by giving union members the right to choose, by enabling them to make that choice "away from the emotionally-charged atmosphere of the car-park mass meeting" and by providing for the more balanced judgments which secret ballots allowed.

So far this year, 4.8m working days had been lost through strikes, but 4.1m of those were due to the miners' strike. Mr King called that "the most costly example there has ever been of a union taking its members out on strike without proper consultation."

Mr King said that, behind the headlines of the miners' strike, across the rest of British industry



Mr Tom King: 'Industrial climate changing'

common sense was on the increase. Employees' insistence on the right to decide for themselves, and employer willingness to take legal action, was "helping to change the whole climate of industrial relations."

Although he accepted that all strikes could not be legislated away, he said: "We have made a good start towards shedding the

'strike-torn Britain' tag that has been hung around our necks for so long."

The Employment Secretary cited 21 cases brought under the Act's strike-ballot provisions involving 11 different employers, but separate injunctions sought against 21 unions. He said that, in addition, there were "many cases where the existence of the law acted as an incentive to trade unions not to pursue irresponsible strike action."

Mr King drew attention to actions brought by Austin Rover, the London Underground, the Post Office and by the Government itself against a Civil Service union, which all helped to avert serious industrial action.

Mr David Warburton, national chemicals officer of the General, Municipal and Boilermakers' Union and a contender in the union's general secretaryship race, said yesterday that the union and employment legislation would face the unions for a long time to come, whichever party won the next general election.

Mr Warburton, a key Labour Party organiser, told an Industrial Society conference in London that any party taking power would have so much to do to "sort out the mess" left by this Government that dealing with some items, such as labour law, might take some time.

Pit strike left coal stocks at high level

By Maurice Samuelson

BRITAIN ended the year-long coal strike in March with more than 30m tonnes of coal - equalling nearly a third of annual output - still in stock. This was even though the cold weather in the first quarter of 1985 helped to raise total energy consumption by 3.8 per cent over the level for the same period last year.

The May edition of the Department of Energy's energy statistics, published yesterday, showed total coal stocks at the end of March, three weeks after the strike collapsed, at 33.4m tonnes, of which just under 12m tonnes were at power stations and 20m tonnes still at pitsheads and opencast sites.

The total was 12.1m tonnes less than a year earlier but only 4m tonnes less than at the same stage of the 1979-80 winter.

While coal consumption in the first three months of this year was down 3.8 per cent, use of petroleum leaped by 37.9 per cent, reflecting the heavy use of oil-fired power stations. There was also a 29 per cent jump in consumption of nuclear electricity and a 7.8 per cent rise in natural gas demand.

The bulletin also shows coal imports in the last month of the coal strike running at just over 1m tonnes a month, more than double the first quarter 1984 level. Coal exports, which used to exceed imports, had become negligible.

By the end of March, the number of men on the workforce of the National Coal Board was down to 171,000, some 12,000 fewer than the total on the eve of the strike.

In a separate section on energy prices, the bulletin shows a 7 per cent rise in the current price index for all industrial fuels between 1983 and 1984. While the indices for coal and electricity were unchanged, those for heavy fuel oil and gas rose by 19 per cent and 3 per cent respectively.

For the domestic consumer, the coal and coke price index rose by 10 per cent, gas by 3 per cent, electricity by 2 per cent and heating oils by 7 per cent.

Engineering output down in first quarter

By Our Industrial Staff

ENGINEERING OUTPUT - fell slightly in the first quarter of this year from the level of the previous three months, according to latest figures from the Department of Trade and Industry.

While mechanical engineering production was 0.8 per cent higher, this was offset by a fall of 1.7 per cent in the electrical and instrument engineering industries. The two sectors together showed a drop of 0.7 per cent.

But all categories showed an increase when compared with the first quarter of 1984. The mechanical sector ended the first three months of 1985 with a production index of 87 (1980 = 100) against 86.3 in the last quarter of 1984 and 86.8 in the first.

For the electrical and instrument engineering sector, the latest quarter showed a production index of 128.8, compared with 129 in the previous three months and 113.6 in the first three months of 1984.

The index for the combined industry rose from 99.4 in the first quarter of 1984 to 106.4 in the first three months.

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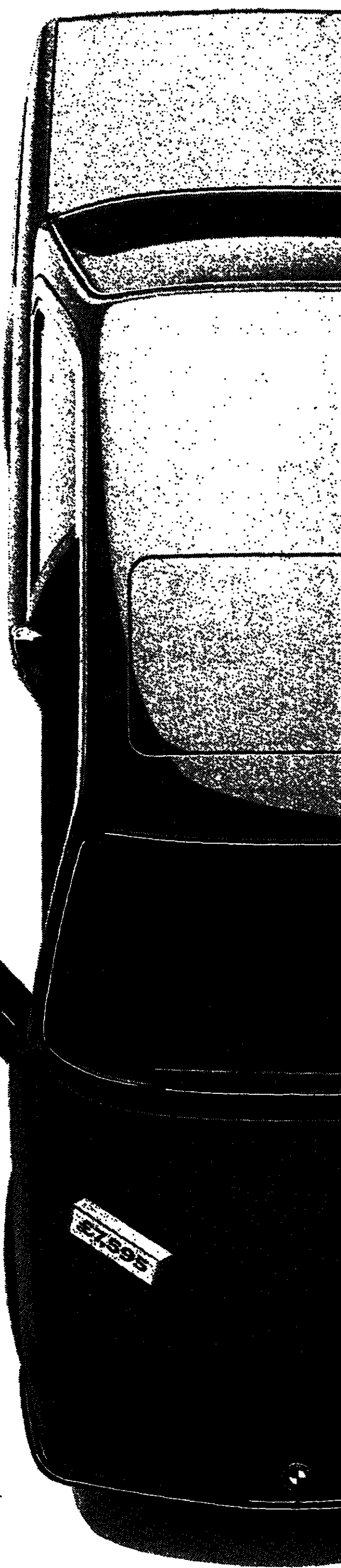
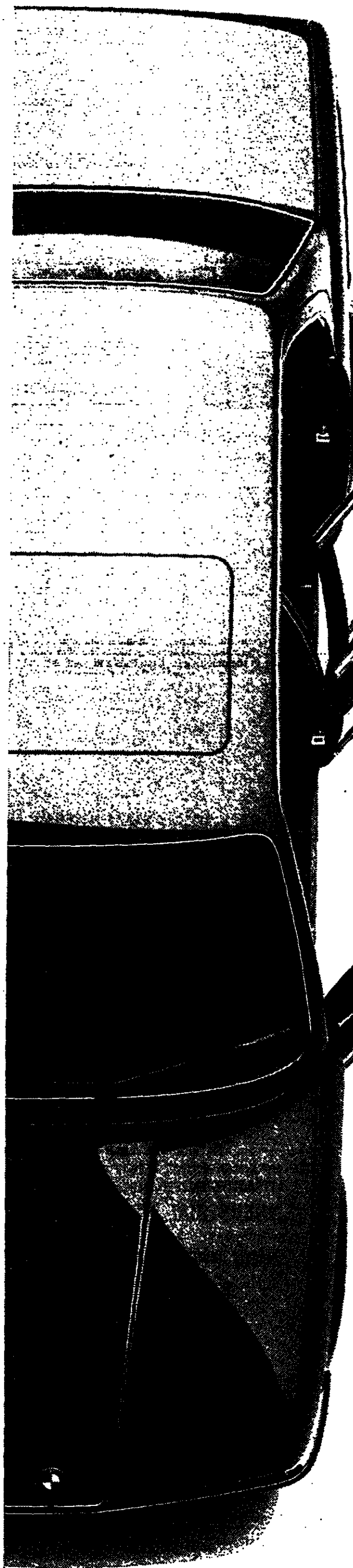
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THE PROPERTY MARKET

BY MICHAEL CASSELL

Lloyds sells to Peachey

PEACHEY Property Corporation yesterday moved higher up the big league of developers and investors by picking up a £32.5m portfolio owned by Lloyds Bank Property. The deal pushes up the value of Peachey's property investments to £145m and a new valuation is only weeks away.

Peachey has purchased the exclusively retail and office portfolio from Lloyds, which itself developed all the properties, in a cash and shares transaction to be approved by shareholders.

The company has placed 5.5m ordinary shares of 25p each—representing 19 per cent of the existing issued share capital—through S. G. Warburg at 248p a share. The £14.6m balance of the purchase price will be paid in cash. In this way, Peachey gets the benefit of the discount on its shares, there will be a minimal, immediate impact on earnings per share and the effect on net tangible assets will be neutral.

John Brown, managing director of Peachey says the deal is a "very exciting one" and offers plenty of scope for rising rental income and capital values. For just over £28m, it gives the company a portfolio valued by Keith Cardale Groves at £32.5m. Current rental income from the properties is £2.06m and current rental value is put at £2.58m, with the prospect of early increases from rent reviews. The group's total net rent roll will rise to over £10m.

Brown also disclosed yesterday that Peachey expects pre-tax profits for the year ending

in June to reach about £10m, significantly higher than most City expectations. Final dividend is likely to be 5p a share, making 8p for the year against 7p last time.

As for the properties, which bring an initial yield of just over 7 per cent—set to rise to 8 per cent by next June—there are 18 investments in all, with 82 per cent by value in the southern half of the country. Lloyds wanted to sell a few more but Peachey was not interested. According to Brown: "I have bought what I wanted. The transaction does not include some of the rubbish which often gets mixed up in the packages we have been offered." Even so, there may be one or two properties which Peachey will eventually dispose of.

The three largest properties, a 60,000 sq ft office building at Basingstoke, occupied by the Property Services Agency and with a rent review imminent, a shop and office investment in Watford and the Angelsea shopping centre at Gravesend are collectively valued at £18m. Peachey intends to refurbish the Gravesend complex.

Within the property portfolio acquired, there are 98 shops, one supermarket and several retail centres. In addition, there are 14 Lloyds branches and eight office buildings. Lloyds accounts for about 25 per cent of the total rent roll and has not negotiated any special terms with Peachey. On the contrary, some of the premises are being brought onto shorter review patterns.

In capital terms, the new portfolio is split 58 per cent

retail with the balance in offices. The properties are located in centres like Guildford, Horley, Eastleigh and Warrimster and there are a few further north.

As for Peachey's overall property holdings, the latest acquisitions means that shops will now account for 46 per cent of properties owned, the office content will rise to 38 per cent and industrial will decline to 13 per cent. Residential property investments, once the mainstay of Peachey's investment portfolio, are now tiny.

Brown says the purchase, which has taken almost exactly four months to negotiate and was apparently done without other serious purchasers breathing down Peachey's neck, hands the company an excellent opportunity to continue its transition from a residential property company to a commercial development and investment group.

Looking ahead, Peachey's trading profits are set to fall as the heavy programme of residential disposals fades out but the reduction will be compensated for by a rise in rental income, supplemented by the latest acquisition. The improvement programme on the Carnaby Estate in particular promises to make a big contribution to income and capital growth over the years ahead.

For the time being, Peachey now has enough to be going on with but it would be surprising if, before too long, its management team gets ready to grasp the next rung on the big league ladder.

Anker takes a hard look around London

Expatriate British developer Peter Anker may be ready to lead a new and powerful force across the Atlantic on to the London property market following the success of his Beaver House office scheme in the City.

Royal Bank of Canada has confirmed that it will take most of the 200,000 sq ft (net) of offices being developed on the site of the former fur trade building above Mansion House tube station off Queen Victoria Street. Two linked buildings will become the new headquarters for the European, Middle East and African operations of RBC, which is the fourth largest bank in North America.

Orion Royal Bank, its merchant banking subsidiary, will also move into the scheme when it is completed in 1987 and the same options may be open for Kitkat Aitken, the brokers into which RBC is buying.

The £40m scheme was jointly funded by Royal Bank of Canada and Toronto-based Markborough Properties, a subsidiary of the Hudson's Bay Company which owned Beaver House. Markborough, built up by Anker in his six years as chief executive, to hold assets of over C\$1.6bn (£940m) intends to hold on to its share of the development. Now, it seems, the company has been encouraged to discuss further development opportunities under the noses of British developers and investors.

This could lead to the first direct involvement by a major North American developer in prime London offices, after a long history of the British travelling in the opposite direction (although another Canadian company, Olympia and York, controls the major UK developer English Property Corporation).

Anker was an early part of the transatlantic movement himself, setting up a Canadian arm for MEPC in 1956 before returning to the UK in the 1970s boom years to run the parent company. He went back to Canada in 1976.

In the couple of years he has spent visiting Britain to set up the Beaver House scheme he has had chance to get the feel of the UK market again, and obviously believes there could be further opportunities "a first instance in the London area" for development.

Anker points out that, from a North American point of view, the pound has now stabilised and a lot of the traditional U.S. markets are overbuilt.

"I sense that UK institutions are nervous about investing in property at the moment. Anything over £25m is suspect." In the U.S. however, investors were laying out anything up to \$300m for buildings, so there might come a time when a North American institution would pick up a big British scheme.

DAVID LAWSON

No nerves for Norwich Union

SOMEONE really ought to tell Norwich Union that institutional investment in commercial property is supposed to be highly unfashionable.

Not content with earmarking £75m this week to fund London & Metropolitan's Ropemaker Street scheme, its largest-ever single property investment, the group is — for the first time — joining forces with the Prudential to carry out a £60m redevelopment scheme in Ilford town centre.

While faint-hearted funds continue to shy away from new property investment, Norwich Union shows no such nerves and this year is understood to have £200m to invest in the market, around twice as much as it has ever allocated before.

The group already ranks among the biggest UK investors in property, coming in behind the Prudential, Legal & General and Land Securities. Its UK investment portfolio is now valued at around £1.5bn, a figure which rises to about £1.75bn when its overseas property interests are taken into account. Its most valuable foreign property assets are in Sydney and it has recently stepped up development activity in France.

In the UK, the two latest mammoth projects follow Norwich Union's £50m commitment in Basildon, where it is developing a second phase of the Eastgate Centre, to provide a 200,000 sq ft store, 250,000 sq ft of other retail space and about 100,000 sq ft of offices.

At Ilford, badly in need of modern shopping facilities, the joint venture with the Pru is thought to entail around 350,000

sq ft net of retail space on three levels, including a 120,000 sq ft department store and 80 other shop units. A planning application has just been submitted to Redbridge borough council.

As for Ropemaker Street, the 370,000 sq ft (255,000 sq ft net) office development put together by the London Edinburgh Trust and Balfour Beatty partnership, Norwich Union thinks it is on to a winner and is happy to fund the entire project, in return for which it has to give away a single-figure share of the equity.

Martin Olley, the group's chief estates manager, says there were no qualms about making such a major commitment and he would not have been interested in the consortium-funding formula which London & Edinburgh has used on other major schemes: "You can end up with a little bit of the profit and a lot of hassle," he adds.

Olley says that the big increase in investment funds allocated to property is more a reflection of specific and potentially highly rewarding opportunities which have arisen than of any fresh enthusiasm for property investment overall. He points out, however, that the portfolio has yielded an average 10 per cent-plus over the last five- and ten-year periods although equities may have made all the running recently, property has to be seen on a longer-term basis.

For those funds seeking encouragement to get back into property, Hillier Parker tries to help this week with news that

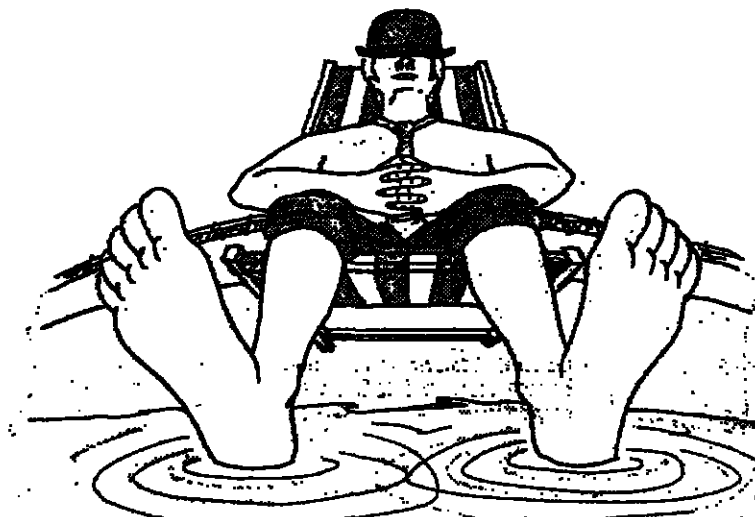
commercial rental values have, since last November, grown at the fastest rate for four years. According to the agents, they rose at an average, annual rate of 8 per cent in the six months up until this May, compared with just over 6 per cent in the previous six months. Rents have been steadily rising since 1982 although the recovery has been very patchy and largely confined to the south.

But when inflation is taken into account, and property is supposed to provide that all-important hedge—rents overall actually fell for the first time in over a year, by 1.3 per cent. The fall was due mainly to the recent upsurge in the inflation rate. As a result, industrial rents suffered their biggest real drop for several years and currently stand just above the level recorded 20 years ago.

Even so, the overall trend is more encouraging and Phillips & Drew's management for one new reason there is growing evidence that the decline in the popularity of property could soon be over, with the cycle poised to swing the other way and a period of more encouraging returns around the corner. Norwich Union will drink to that.

Centros Real Estate Boston, a subsidiary of Centros Properties, has purchased 176 Federal Street, Boston, U.S., and will project manage a refurbishment programme which will increase the property from 65,000 sq ft to 80,000 sq ft. Centros is talking to potential financial partners and tenants and hopes to achieve \$32 a sq ft.

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NOTICE OF MANDATORY REDEMPTION SWISS ALUMINIUM AUSTRALIA LIMITED

US\$35,000,000 8 per cent Guaranteed Bonds 1987

NOTICE IS HEREBY GIVEN, pursuant to the provisions of the Trust Deed dated 15th June, 1972 between Swiss Aluminium Australia Limited, Swiss Aluminium Limited and Rothschild Trust Company Limited, as Trustee, that US\$3,500,000 nominal amount of Bonds is due for mandatory redemption on 1st July, 1985. In compliance with Clauses 3 and 4 of the Terms and Conditions of the Bonds, US\$1,534,000 principal amount has been purchased by the Company and credited against the amount due for redemption.

THE SERIAL NUMBERS OF THE BONDS DRAWN FOR REDEMPTION REPRESENTING US\$1,534,000 PRINCIPAL AMOUNT ARE AS FOLLOWS:—

44	3374	4291	4839	5444	5927	7036	8654	10524	14444	22889	34166	25683	29188	29634	30006	30708	31824	32691
52	2775	4292	4852	5448	5931	7031	8721	10550	14445	22890	34167	25684	29189	29635	30007	30709	31825	32692
53	2406	4301	4856	5449	5936	7032	8727	10555	14451	22891	34170	25684	29194	29636	30008	30714	31837	32694
52	2409	4305	4862	5453	5939	7037	8733	10559	14452	22892	34172	25686	29197	29644	30136	30718	31838	32697
294	2410	4306	4863	5454	5942	7038	8736	10564	14475	22893	34174	25687	29198	29649	30140	30719	31839	32700
323	2417	4310	4909	5477	5946	7055	8743	10561	14476	22894	34175	25688	29199	29650	30141	30720	31840	32701
341	2418	4321	4911	5484	5959	7056	8749	10562	14489	22895	34180	25689	29207	29654	30146	30724	31851	32725
349	2419	4326	4912	5485	5960	7066	8760	10541	15010	22886	34184	25687	29209	29664	30149	30725	31853	32732
363	2424	4327	4917	5493	5963	7069	8761	10576	15073	22897	34186	25689	29214	29670	30153	30728	31870	32738
411	2430	4331	4923	5496	5966	7070	8794	10590	15183	22898	34189	25688	29218	29673	30156	30730	31877	32748
412	2440	4332	4926	5500	5969	7074	8816	11066	15283	22899	34192	25689	29219	29674	30158	30733	31884	32756
416	2442	4334	4928	5501	5970	7075	8817	11067	15284	22900	34193	25690	29220	29675	30159	30734	31885	32757
433	2447	4357	4941	5510	5972	7081	8871	11096	15311	22901	34196	25689	29223	29678	30162	30738	31893	32773
440	2453	4360	4942	5513	5978	7086	8876	11131	15317	22902	34198	25689	29227	29679	30163	30740	31896	32780
583	2482	4364	4971	5517	5983	7098	8877	11132	15324	22903	34199	25689	29229	29680	30164	30741	31900	32821
645	2483	4365	4972	5529	5988	7099	8884	11223	15342	22979	34200	25690	29248	29730	30163	30748	31903	32850
646	2492	4368	4979	5537	5993	7104	8887	11237	15446	22980	34201	25690	29250	29735	30166	30749	31907	32850
647	2500	4371	4980	5543	5994	7108	8893	11248	15451	22981	34202	25690	29253	29737	30168	30752	31911	32861
663	2503	4379	4987	5548	6000	7119	8899	11341	15467	22941	34209	25691	29256	29740	30169	30758	31912	32874
688	2507	4380	4988	5551	6001	7120	8902	11342	15473	22942	34211	25691	29257	29745	30169	30764	31916	32890
685	2508	4383	4993	5557	6007	7126	8906	11382	15480	22943	34215	25692	29259	29753	30170	30766	31918	32894
704	2516	4384	5000	5558	6018	7119	8913	11386	15481	22944	34219	25693	29263	29758	30174	30770	31924	32903
759	2520	4385	5003	5563	6019	7163	8917	11926	15497	22945	34223	25693	29268	29763	30175	30774	31931	32910
791	2522	4402	5009	5567	6024	7186	8953	11930	15513	23346	34227	25696	29268	29765	30177	30776	31942	33013
792	2527	4407	5017	5571	6028	7171	8961	11949	15517	23347	34228	25696	29268	29767	30178	30779	31946	33020
834	2535	4410	5023	5572	6047	7172	8962	12067	15531	23348	34230	25697	29273	29770	30179	30780	31950	33036
865	2537	4414	5026	5576	6057	7238	9000	12073	15538	23349	34233	25697	29278	29774	30184	30786	31963	33060
907	2516	4415	5027	5580	6063	7241	9001	12091	15544	23350	34237	25698	29278	29774	30184	30786	31963	33060
979	2727	4426	5030	5582	6064	7246	9027	12111	15554	23351	34249	25698	29285	29783	30184	30786	31963	33116
999	2734	4429	5037	5589	6067	7253	9035	12212	15562	23352	34254	25698	29285	29788	30185	30786	31963	33124
1000	2752	4430	5038	5590	6115	7258	9036	12217	15563	23353	34254	25698	29285	29788	30185	30786	31963	33124
1022	2738	4437	5043	5593	6120	7301	9043	12246	15567	23356	34259	25698	29288	29794	30186	30786	31963	33126
1025	2761	4438	5079	5594	6121	7306	9045	12258	15561	23355	34254	25698	29290	29800	30186	30786	31963	33140
1026	2780	4439	5082	5600	6127	7309	9054	12301	15561	23359	34259	25698	29294	29811	30186	30786	31963	33145
1033	2922	4443	5087	5605	6128	7311	9065	12307	15567	23360	34261	25698	29295	29811	30186	30786	31963	33150
1161	3034	4444	5091	5610	6133	7315	9066	12316	15563	23362	34268	25698	29296	29811	30186	30786	31963	33156
1162	3074	4451	5100	5611	6138	7336	9040	12325	15582	23364	34270	25698	29297	29811	30186	30786	31963	33167
1182	3077	4454	5109	5617	6144	7337	9101	12351	15583	23366	34272	25698	29297	29811	30186	30786	31963	33160
1231	3083	4456	5112	5619	6170	7342	9126	12367	15585	23367	34278	25698	29297	29811	30186	30786	31963	33170
1233	3099	4459	5113	5620	6176	7346	9127	12363	15590	23368	34278	25698	29297	29811	30186	30786	31963	33181
1234	3124	4460	5119	5628	6177	7350	9131	12405	15589	23369	34263	25698	29297	29811	30186	30786	31963	33181
1350	3130	4467	5125	5631	6183	7351	9134	12409	15612	23370	34285	25698	29298	29811	30186	30786	31963	33190
1351	3135	4469	5126	5632	6187	7356	9168	12413	15619	23372	34287	25698	29298	29811	30186	30786	31963	33209
1367	3249	4470	5127	5642	6188	7367	9171	12419	15629	23374	34290	25698	29299	29811	30186	30786	31963	33211
1448	3286	4472	5130	5653	6238	7370	9178	12436	15637	23375	34294	25698	29299	29811	30186	30786	31963	33220
1452	3291	4473	5131	5654	6239	7375	9180	12438	15639	23376	34294	25698	29299	29811	30186	30786	31963	33221
1453	3292	4479	5138	5660	6247	7376	9206	12461	15626	23379	34292	25698	29299	29811	30186	30786	31963	33246
1495	3300	4480	5141	5664	6256	7384	9213	12486	15627	23382	34294	25698	29299	29811	30186	30786	31963	33256
1517	3344	4485	5152	5665	6257	7482	9228	12915	15614	23384	34294	25698	29299	29811	30186	30786	31963	33260
1522	3418	4512	5153	5671	6263	7626	9233	12937	15635	23385	34294	25698	29299	29811	30186	30786	31963	33260
1623	3419	4513	5161	5679	6268	7630	9237	12941	15637	23387	34297	25698	29299	29811	30186	30786	31963	33261
1678	3424	4517	5167	5683	6272	7633	9242	12962	15750	23390	34299	25698	29299	29811	30186	30786	31963	33313
1681	3428	4525	5169	5686	6277	7634	9244	12977	15759	23391	34299	25698	29299	29811	30186	30786	31963	33320
1687	3625	4528	5170	5686	6281	7641	9249	12978	15773	23392	34299	25698	29299	29811	30186	30786	31963	33331
1736	3712	4537	5177	5688	6316	7645	9253	12989	15801	23394	34299	25698	29299	29811	30186	30786	31963	33347
1731	3768	4538	5178	5689	6317	7647	9256	13012	15800	23395	34299	25698	29299	29811	30186	30786	31963	33350
1732	3776	4546	5182	5703	6318	7790	9262	13018	15821	23397	34299	25698	29299	29811	30186	30786	31963	33361
1739	3780	4551	5186	5711	6340	7797	9265	13026	15822	23397	34299	25698	29299	29811	30186	30786	31963	33373
1746	3785	4562	5194	5719	6345	7816	9268	13037	15820	23403	34299	25698	29299	29811	30186	30786	31963	33390
1751	3786	4563	5195	5720	6346	7817	9277	13045	15829	23404	34299	25698	29299	29811	30186	30786	31963	33393
1760	3786	4562	5194	5719	6345	7816	9268	13037	15820	23403	34299	25698	29299	29811	30186	30786	31963	33390
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The Greek elections

Why the Socialists are taking a gamble

By Andriana Ierodiconou in Athens

SUNDAY'S elections in Greece will decide the success or failure of the country's first Socialist experiment.

But, whatever the outcome, Greece will remain a state where the deep enmities caused by the 1945-49 Civil War and the years of military dictatorship are never far below the surface.

The election will also have a bearing on the country's standing in the West. In voting Pasok, the Panhellenic Socialist Movement into power in 1981, the Greeks entrusted their Government for the first time to a political party explicitly not committed to being a true United States and NATO ally.

Dr Andreas Papandreu openly rejects the Conservatives' maxim "Greece belongs to the West." If he is re-elected as Prime Minister, observers expect an intensification of neutralist trends in Greek foreign policy, though they recall that he has stopped short of carrying out pledges to close the American bases in Greece and pull out of the Atlantic alliance.

When Dr Papandreu Pasok swept to victory in the 1981 general elections with a landslide majority of 48 per cent, there was a sense of inevitability about the result.

The ascendancy of the Right in Greek political life, which had lasted for almost half a century, had been challenged by the 1960s and 1970s had grown complacent and ineffective in power through two successive terms of Government immediately following the collapse of the colonels' dictatorship.

Even if it were true that the ND could recently, assessing the party's decline and what "Change," literally, was what the Greeks voted for, and Pasok's campaign slogan of "Allaghi," meaning change, captured the hearts and minds not only of committed Leftists but also of centrist and even conservative Greeks who felt secure enough for the first time since the dictatorship to vote Left, and who were united in the hope for a better life.

To a large degree, the problem Pasok has had in keeping the star of his popularity bright—by last June's European Parliament elections, the 1981-82 lead against ND had narrowed to 3.5 per cent—was a function of the broad political span of voter support which the party enjoyed in the last elections.

The socialists tried to their best to please the moderate and conservative public, meant to alienate the

radical left and vice versa. Their attempts to square that particular circle often made them appear inconsistent and unreliable. They also generated tensions between the so-called "moderates" and "hardliners" within Pasok's own ranks. As one faction tries to advance its ideas against those of the other, the energy which should have gone into applying an effective policy programme has more often than not been channelled into infighting and forced competition for the ear of Prime Minister and party leader, Dr Papandreu.

By the Socialists' own admission, Pasok's reform programme has as a result remained largely uncompleted in key areas such as social welfare, the environment, the bureaucracy, health or education. "Allaghi" is still the issue at stake in the 1985 elections.

The most vivid example, however, of Pasok's ambivalence over whether it should be a party of the moderate centre or the left came on March 9, the date on which Dr Papandreu stunned the nation—and most of his own party—with the surprise announcement that Pasok would not support the re-election of conservative President Karamanlis to a second term as head of state. The decision marked a turn-

ing point in Pasok's progress towards the 1985 elections. Until then there were no prizes for guessing that the socialists would win a second term in office. Dr Papandreu was known to have given public and private assurances that he was set to back Dr Karamanlis's candidacy: since Pasok's 1981 election victory they had worked well together.

Observers were unanimously predicting that Pasok would carry the 1985 elections under the banner of consensus politics, effectively drawing the moderate centrist vote. It was assumed that the radical left would adjust to the decision to support Mr Karamanlis even though he had always been seen as the personification of the junta right. After all, they had

earlier adjusted to Dr Papandreu's decision to sign an agreement extending the operation of the American bases in Greece, or to remain in the EEC and postpone promised NATO withdrawal to an indefinite date.

Dr Papandreu, however, decided to gamble otherwise. Persuaded by close advisers that supporting Mr Karamanlis would mean a substantial loss

of votes to the left—mainly to the pro-Moscow Communist Party of Greece (KKE), the third runner up in 1981 with 11 per cent, the decision to back his re-election was abandoned in favour of nominating supreme court judge Christos Saratzetakis. The choice of Mr Saratzetakis, a hero in Greek eyes for his role in the investigation into the murder of leftist deputy

Gregoris Lambrakis under a Karamanlis administration in the early 1960s, was calculated to yield maximum appeal for moderate voters of the liberal centre.

Sunday's result will show whether the gamble has paid off. Observers agree that its immediate effect was to galvanise into action the conservative opposition, which had languished in a defeatist slumber since its ride to power in 1981.

Until Pasok's decision on Karamanlis, New Democracy wasn't even in the race. Now it can be said to be running as an "outsider," one observer remarked.

ND's first move was to challenge Dr Papandreu's credibility by pointing out that he had gone back on his word to support Mr Karamanlis. The issue of trust has been central in campaign speeches delivered in over 30 towns by ND leader Constantine Mitsotakis. ND officials say that confidential polls show that the actual issue of the Presidency is not high on the list of voter concerns. The Karamanlis upset, however, gave ND a platform from which it was able for the first time since 1981 to command voters' attention.

The conservatives have taken advantage of this to unveil specific policy programmes for the economy—concern over

Form filling four times

From the Managing Director, Erwood Hotels.

Sir—There is much talk in your paper and in others about assisting small businesses, relieving them of form filling, reducing their burden of bureaucracy and leaving them to get on with the business.

One area which causes much work is supplying information to the Collector of Taxes two, three or even four times.

As a 44-bed hotel, we employ 20 people. (We would employ more but cannot find staff. Where are the 3m?) At each fiscal year-end we complete the required forms for every person employed by us in that year, both past and present, and the statutory returns. As each employee leaves a P45 is prepared and the correct part despatched to the relevant office. This information is, of course, stored on computers and should be instantly available to the powers that be.

Why then are we constantly bombarded for information relating to past employees, some of whom left us many years ago?

We cannot afford a computer and must, therefore, manually search our records. Once the statutory forms and returns are completed the employers should have no more responsibility to provide further information to a computerised Inland Revenue which is funded by them, and places more responsibility and a heavier workload on them year by year.

Miss J. R. Allan, Green Park Hotel, Harrogate.

A taste for cricket

From Mr M. L. Pearce

Sir—While potato crisps might have had a better flavour in pre-war days, too great a craving for them clearly produced a form of amnesia. Had Mr D. J. Harris (May 24) spent more time attending to the matter in hand, rather than pestering his parents for further packets of crisps, he might have noticed that Mr E. R. T. Holmes was not playing for Surrey on the day of his visit to Swansea. Indeed, this could have been confirmed by reference to Wisden before composing his letter!

It is sad that even today too great a proportion of the crowd at any sporting event is more concerned with the quality of the hospitality being provided than with the endeavours of the players they are supposedly watching!

M. L. Pearce, 9, Rodway Road, Roehampton, SW15.

Ansel Harris, MBA Partners, 23 Ferncroft Avenue, London, NW3.

Letters to the Editor

Good as any in the world. The reason for that is that their training begins at secondary school level, continues as a specialist subject through tertiary level and then is updated from time to time during their professional careers.

In contrast, the potential industrialist in Britain suffers from the fact that neither industry nor the schools recognise that there are basic subjects and disciplines necessary to support a satisfactory career in industry, and which can form the heart of a specialist curriculum.

I propose that the way to cure our poor industrial performance is first to identify appropriate industry-related subjects to be taught in secondary schools while leaving room for the three Rs and then to create centres of excellence such as Special Institutes for Scientific and Technical Research (SISTERS) where the young industrialists may complete his tertiary training.

I believe that this change in emphasis in the curriculum would not make any great call on the public purse because at tertiary level the SISTERS could be created by stripping out the academic subjects from universities such as Aston or Essex.

I quote from the memoirs of a student at the East Indian Company College in 1850: "Much valuable time is spent in studying other subjects at the expense of oriental spoken languages."

It seems that unsuitable curricula have been with us for years. The difference today is that foreign competition is such that we just cannot afford to be amateurs any longer.

J. W. L. Nichols, Mill House, Holton St Peter, Suffolk.

Shortage of engineers

From Ansel Harris

Sir—The publication of the Green Paper, "The Development of Higher Education into the 1990s," centred on the shortage of engineers.

It is a problem that in recent months has prompted emergency action by central government. A further £80m has been provided for extra student places on technological and vocational courses. The Engineering Industry Training Board has recently put up £200,000 to help alleviate the high-tech skill shortage.

After a career in commerce and industry, I am currently

involved in a CELP (College Employer Links Project) investigation. While normally I would desist from interim conclusions, the concentration of events justifies them on this occasion.

I suggest that the present shortage of engineers derives from three causes: There has been insufficient investigation and forward planning by the politicians, the providers of resources; by senior management in industry, the users of the product of the education and training sector; and by the colleges (and I refer to the public sector only) who are only now being called upon to fulfil new roles.

The provision of resources requires political will and commitment. At one of the local colleges I have investigated (and its features are not unique), the student population in the past three years has averaged 540 full-time and 2,680 part-time, with the overall figure rising each year. Current expenditure in the past three years has remained static, ie, in real terms has fallen. But capital expenditure has averaged a mere £40,000 pa.

In an era of rapidly changing technology it is particularly vital that educational institutions have the appropriate equipment: one cannot teach the maintenance of the modern motor vehicle on an old second-hand car, nor word processing on a manual typewriter. It is possible to retrain and update staff, but old equipment is redundant. The teaching of the new technologies requires an investment in new equipment even on a modest scale. This is being denied the colleges. Hence they are finding it increasingly difficult to meet employers' needs.

Turning to demand side, how poorly industry rewards its engineers, compared with the way the financial sector remunerates its professionals.

The financial sector has traditions as old as, if not older, than engineering. Yet it has faced new challenges. It has recognised the need to recruit, train and reward talent. The engineering sector should apply these lessons to itself. It should also press the Government to ensure that the public-sector colleges are better equipped to provide the trained manpower for which it (and the economy) are in urgent need.

Ansel Harris, MBA Partners, 23 Ferncroft Avenue, London, NW3.

Restrictions on N. Sea firms

From Mr John H. Folger

Sir—As a management consulting firm which has worked extensively with engineering contractors for many years in countries like Holland, England, France, Germany and Italy (as well as the U.S.), we have been bemused by the fact that the OSO (Offshore Office) seems to be taking what I construe to be a position counterproductive to the best interests of the economy and of its citizens employed in the engineering contractor industry.

As I understand it, unless an engineering contractor located in the UK is British-owned, it will no longer be considered a visible bidder for platform work in the British waters of the North Sea. Such a policy seems short-sighted and bound to hurt citizens of the UK who are employed by firms owned by Continental or U.S. interests. Such firms have been located in Greater London for decades, employing 99 per cent UK personnel, and working on jobs not located in the North Sea, but, for instance, in the Mid-East, Africa and South America. They have contributed greatly to the British economy.

We know that in the United States there are no such restrictions against such firms as Crawford & Russell (owned by John Brown Engineering) or Davy McKee, also owned by UK interests.

Not only is it a disservice to so many firms that have supplied thousands of professional positions for British citizens, but our experience suggests that if only a few locally owned firms are allowed to bid the quality of service could go down and the cost of service rise. Whenever competition is artificially restricted those firms that are "protected" tend to become complacent and a bit second-rate in their performance.

John H. Folger, President, Folger & Co. Inc., Lewis Wharf, Boston, Massachusetts.

Training for industry

From Mr J. W. L. Nichols

Sir—In your leader (May 23) Britain's poor industrial performance was attributed to the inadequacy of the country's educational and training system, but little was said of the reasons for its weakness in our economic structure.

I believe the root cause of the problem in our approach to training for industry is to be found by examining our training for other callings. Are medical or military men adequately trained by the selfsame educational system? I would suggest that these men as as



Dr Papandreu: landslide in 1981

which is judged to be at a "historic high," notably over unemployment and education. Foreign policy has not figured prominently—Dr Papandreu's blend of neutralism and anti-Americanism is judged to have struck a responsive chord with the Greek public, and in addition foreign policy is low on the list of voter priorities.

Caught in a pincer movement between ND and the KKE, the Socialists have avoided fighting on the opposition parties' chosen ground of Pasok's performance in government.

Instead, Pasok's campaign has been based on the simple message: vote for us to prevent the return of the right to power.

To drive this message home, Dr Papandreu has devoted the major part of his campaign speeches to recalling the repressive history of the right in Greece going back to the 1930s and taking in the divisive experience of the 1945-49 civil war and the colonels' junta.

He has also not hesitated to direct vitriolic personal attacks—happily backed by the pro-government press—against Mr Mitsotakis, his bete noire since 1985 when the present ND leader was one of a group of deputies who defected from the centre union government of George Papandreu to form a rightist splinter government. The episode, which triggered a chain of events culminating in the 1987 military coup, remains traumatic in the Greek collective consciousness and is particularly effective in alienating centrist voters.

Pasok is thus hoping that Mr Mitsotakis's political baggage will carry more weight with voters on Sunday than the socialists' burden of failure in government. Under the present Greek electoral system, computer projections show that a lead of just 0.3 per cent will be sufficient to give the winning party an absolute majority in the 300-member parliament, while a difference of 2 per cent would secure a majority of some 188 seats.

Given this Sunday's election result is in the hands of the undecided voters, various estimates from 3 per cent to 7 per cent. Many of these are centrist who are agonising between the choice of Pasok, and a right-wing party which they would never have normally dreamed of supporting, despite the recently acquired "liberal" tag. The rest are so-called "apollitical" Greeks who will decide at the last minute mainly on the basis of their pocket books.

Their choice will determine whether the last three-and-a-half years have been an ephemeral phase in Greek political history or the start of a more lasting swing to the left.

Lombard

Tamils can pay our pensions

By Anatole Kaletsky

BRITAIN IS an overcrowded little island, down on its luck. It can't even find enough jobs for its own people. The last thing the country needs, as it tries to cope with record unemployment, is a flood of new immigrants—of Tamils fleeing persecution in Sri Lanka, or foreign men who marry British women and expect to be treated as if they were British themselves. Of course decent people will deplore the plight of the Tamils and feel sorry for some of the couples who are forced to live apart by Britain's immigration laws. But we've got to be realistic; there are already 3m unemployed.

Whatever the rights and wrongs of it, the country simply can't afford to have more people—there are not enough jobs to go round. Britain is an inefficient sickly economy, with a workforce getting older all the time. It can't even afford a decent social safety net for its poorest old-age pensioners. The last thing the country needs, as it tries to live within its means, are pie-in-the-sky promises from politicians about generous state benefits for all—for well paid workers who expect the state to pay them earnings-related pensions, for example. Of course decent people will feel sorry for the elderly people who have to live in poverty on the basic state pension; they might even regret that Britain spends less on public benefits for the old than Germany or America, even in relation to its much smaller GNP.

Whatever the rights and wrongs of it, the country simply cannot promise higher pensions in the future as the population ages—there won't be enough workers left to support the retired.

The government believes there will be too few people of working age in Britain by 2020 to pay for the promised state pensions. It also seems to fear that mass unemployment will continue to crush the economy, exacerbate racial tensions, deplete tax revenues and strain public spending for the indefinite future. Both stories can't be right—in fact, both are probably wrong.

If the demographic projections underlying the attacks on the state earnings related pen-

sion scheme prove correct, then by 2020 Britain (along with all other industrialised countries) will be suffering an acute labour shortage. If this happens, unemployment should fall sharply and the decline in unemployment will itself relieve much of the burden of supporting the pensioners: a reduction in unemployment from 12.7 per cent to 6 per cent would cut the level of national insurance contributions by 1.85 percentage points. This would cover one-quarter of the increase in contribution rates required to provide the full earnings related pension in 2020-28.

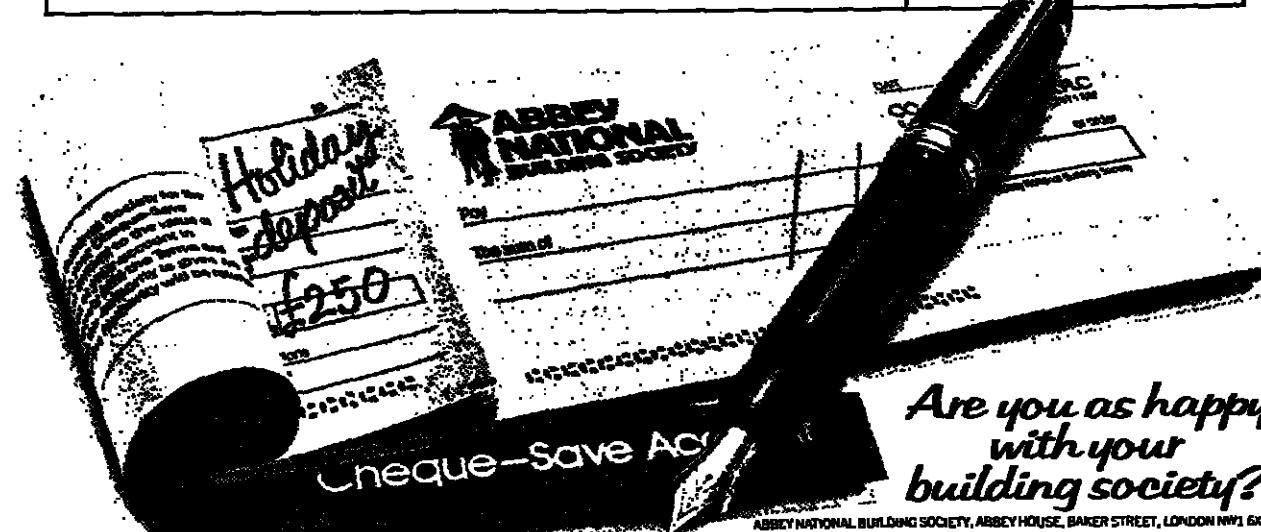
supposing that even such a modest increase in national insurance rates were unacceptable, there would be an easy solution. Why not simply admit enough immigrants to keep the labour force up and the national insurance contributions flowing at whatever rate was required? Unemployment has never been a convincing theoretical argument against immigration, as the Prime Minister, with his admiration of Hong Kong and the American sunbelt, should be the first to recognise. But even if she secretly doubts the force of the classical economic theories which assert that supply will always create its own demand in a free market economy, the fears about pensions and demographic changes in the 21st century could provide some far more concrete—and popular—reasons to reconsider long-term immigration policies.

When there is no shortage of humans in the world as a whole it is absurd for the governments of the rich countries simultaneously to clamp down on immigration and to worry about the sustainability of their pension commitments in the face of "adverse" demographic trends. As long as they leave enough physical capital behind, the pensioners of Europe and America will always find enough young people throughout the world who are willing to work to support them.

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FINANCIAL TIMES

Friday May 31 1985

BELL'S
SCOTCH WHISKY
BELL'S

Germany heads for record trade surplus

By Rupert Cornwell in Bonn

THE continued comparative weakness of the D-Mark helped West Germany show further substantial trade and current account surpluses last month. This bears out forecasts that on present trends even 1984's record trade performance could be eclipsed.

The Federal Statistics Office in Wiesbaden, reported that April alone produced a trade surplus of DM 5.5bn, slightly down on March's DM 6.4bn, but more than double the DM 2.5bn figure reported for April 1984.

This brings the accumulated surplus for the first four months to DM 19.1bn, against DM 13.9bn for January-April last year. It suggests moreover the 1984 total of DM 54bn - itself unprecedented - will probably be exceeded this year, barring an unlikely reversal of roles on the currency front.

Independent forecasts suggest the trade surplus this year might reach DM 65bn or even DM 70bn, while the current account, which also includes services and transfer payments, might close DM 30bn or more in the black, compared with DM 17.7bn in 1984.

In the first four months of this year, the current account surplus almost trebled to DM 9.3bn; in April alone it jumped to DM 3.7bn, well up on the revised DM 2.6bn of March, and the DM 200m of the same month a year earlier.

The strong competitive edge of West German exporters was further underlined by the fact that exports so far this year, at 13 per cent, have been growing faster than imports, which are running just 11 per cent up on 1984.

Despite a faint stirring in the inflation rate, which has lately crept up to 2.7 per cent from barely 2 per cent at the end of last year, the buoyant trade figures can only increase the arguments of those who favour stronger action by the Government to boost the economy and tackle unemployment.

The ruling Christian Democrats debated the whole thorny issue again yesterday, ahead of the Cabinet meeting at the beginning of July which is due to decide on supplementary - if highly cautious - action to create more jobs. But the party seems resolutely against any major stimulus to the economy, on the grounds it would merely increase interest rates and prices, rather than employment.

U.S. urged to cut deficit

Continued from Page 1

encourage the growth of imports, and various measures to liberalise its financial markets and make yen assets more attractive overseas.

In its forecasts, the OECD says that the average growth rate of the 24 economies is likely to slow from 3 1/2 per cent this year to 2 1/2 per cent in 1986, with those figures mirroring exactly the expected performance of the U.S.

The rise in output in Japan is predicted to fall back to 4 1/2 per cent in 1986 from 5 1/2 per cent this year, while European growth is likely to remain steady at 2 1/2 per cent.

It stresses, however, that there are a number of factors that could put the recovery at risk. Those include the high U.S. budget and current-account deficits, continuing high interest rates and exchange rate volatility, and the precarious position of many developing countries.

While the outlook for OECD inflation points to another slight fall to 4 1/2 per cent on average by the second half of next year, Europe's poor employment performance may well persist even beyond 1986.

Pan Am signs deal with Airbus for 28 airliners

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT, IN PARIS

PAN AMERICAN World Airways has signed the definitive contract with Airbus Industrie, the European airliner manufacturing group, for the purchase of 28 advanced technology airliners - A-310s and A-320s - for delivery beginning in mid-1987.

The value of the deal, including engines, is \$1.1bn, but is subject to escalation. The announcement was made yesterday at the opening of the Paris International Air Show by Mr Gerald Ginter, Pan Am's vice-chairman. He said the contract represented the final phase of the preliminary agreement first announced last September between Pan American and Airbus Industrie.

The deal involves 12 wide-bodied A310 twin-engine medium to long-range airliners and 16 standard narrow-bodied A-320 airliners, also twin-engine but designed to carry about 150 passengers over much shorter distances.

Pan Am has also taken options

on another 13 A-310s and 34 A-320s, which, if turned into firm orders, would give Pan Am an Airbus fleet of 75 and making it the biggest user of Airbus in the world.

Mr Ginter said that the financing for the deal would be through "normal commercial channels" and would involve no export credit facilities. But he added that if requested by Pan Am, the manufacturers of the aircraft and the engines under certain circumstances would provide guarantees in connection with the financing.

Although Mr Ginter would not elaborate on this point, it is understood to mean that the manufacturer of both the aircraft and the engines would be prepared to make special arrangements on the financing to ensure that Pan Am got the aircraft it required when it wanted them.

It was also announced in Paris that International Aero Engines (IAE), the five-nation consortium building the new V-2500 jet engine

for the new A-320 150-seater airliner had received orders from Airbus Industrie for up to 180 engines worth \$840m, bringing total orders for that engine to \$716m.

This deal includes the Pan Am order for engines for the A-320 together with orders for V-2500 engines for the A-320s already ordered by Cyprus Airways and Inex Adria of Yugoslavia.

The IAE consortium includes Rolls Royce of the UK and Pratt & Whitney of the U.S., each with a 30 per cent stake in the group, Japanese Aero Engines with 23 per cent, MTU of West Germany with 11 per cent and Fiat Aviazione of Italy with 6 per cent.

In addition to the IAE V-2500 engines for the A-320 airliners Pan Am has selected for its A-310 airliners the new Pratt & Whitney PW-4000 turbo jet engine of advanced design which is already under development.

GE and Saecma deal, Page 6

Dassault insists on dominant technical role for new fighter

BY DAVID MARSH IN PARIS

DASSAULT-BREQUET, the French state-controlled aircraft manufacturer, made clear yesterday it was sticking to its demand for a dominant technical role in designing and building the jet fighter which five European countries hope to construct for the 1990s.

M Benno-Claude Vallieres, Dassault chairman, held out little hope for compromise over the aircraft, where talks between the five nations - Britain, France, West Germany, Italy and Spain - have shown recent signs of stalling.

At a press conference at the Paris Air Show M Vallieres put forward less forcibly than in the past his plea for a 46 per cent share in the project. But he said Dassault's stake should take account not only of French requirements for about one third of the roughly 1,000 air-

craft to be built, but also of export possibilities.

Additionally, Dassault needed "compensation" for giving up technology over the deal, he said, underlining that the company, with 30 years of experience in making delta-winged jets, was ahead of all other European aerospace companies in this area.

Dassault's line is opposed by British Aerospace, which is seeking at least 25 per cent of work for the project, a similar position to West Germany's.

M Vallieres said Dassault could be in "difficulties" if it accepted a lower share of the work. He thought this would be unacceptable to M Charles Hernu, the French Defence Minister.

He refused to predict whether talks on the five-nation project

would eventually reach a successful outcome, saying only that the governments had not even yet reached accord over the basic specifications of the fighter.

M Vallieres said that the design headquarters for the five-nation aircraft would not necessarily have to be in Dassault's own buildings. But he said the design centre should be in the Paris area, although it would include engineers from different participating countries.

Dassault's own version of the fighter aircraft, now called the Rafale, will fly in prototype form next May or June. The prototype has been under construction for some time at Dassault's headquarters west of Paris, but M Vallieres said that he would not yet be allowing journalists to take a look at it.

BP moves into U.S. chemicals

BY IAN HARGREAVES IN LONDON AND OUR NEW YORK STAFF

BRITISH PETROLEUM yesterday announced two separate takeovers designed to expand the oil group's interests in specialty chemicals.

The company said it would pay Reichhold Chemicals of the U.S. \$30m to \$40m for a business which makes plastic coatings for electric cables. This is BP's first move into U.S. chemicals manufacturing.

BP also agreed to pay \$1m (\$8.9m) for Mebon, a small UK manufacturer of paints and protective coatings. The directors of Mebon, whose shares are traded on London's unlisted securities market (USM), are recommending the 125p share offer.

BP's purchase of Reichhold's polyolefin and vinyl material division represents a major expansion for its cable plastics business. The company, which bought Union Carbide's European interest in this sector in 1979, is already the leading European producer of this type of plastic.

Union Carbide is still the leading U.S. producer of power cable plas-

tics. Reichhold, which employs 300 people in three manufacturing plants, ranks number three.

Power cable activities account for around 50 per cent of Reichhold's \$90m annual sales. Other outlets for the division's products are automotive and mechanical goods, coated yarn and adhesives.

BP said the new activity would be run independently as a subsidiary of BP North America to be called BP Performance Polymers. BP is on the lookout for further, related acquisitions.

BP Performance Polymers will be headed by Mr Axel Bresser, a German who worked for Union Carbide at the time of the BP wire and cable takeover.

For Reichhold, the deal is a further step in a restructuring designed to group the company's activities around its core businesses and to improve profitability.

The Mebon purchase marks BP's first venture into the paints and coatings business.

Mebon was started in 1963 by Mr

Bill Meakin, 59, a paint industry executive and Mr John Bourne, 54, a chemist who has developed a number of new processes.

The two founders, now joint managing directors, plan to stay with the company, but BP will put in additional senior management in a bid to expand sales, especially overseas.

Mebon was floated on the USM 18 months ago, at an opening price of 96p a share. Following poor first half results for the period to last October, when the company reported pre-tax profits of £213,000 on sales of almost £2m, the price slipped to a low of 55p.

The company, which makes coatings for galvanised steel and for oil surfaces such as transformer cooling fins and oil tanks, suffered badly last year because of the UK coal strike and because of a strike at another major customer in the building industry. Mebon employs 100 people at its Nottinghamshire site.

Refinery closure, Page 8

S. African gold dealer in liquidation

BY JIM JONES IN JOHANNESBURG

THE South African Gold Coin Exchange (SAGCE), one of South Africa's leading kruggerand dealers, was yesterday placed in provisional liquidation after an urgent application by creditors to the Rand Supreme Court in Johannesburg.

Liquidation follows two weeks of voluntary judicial management since the SAGCE's owners sought temporary protection from liabilities in terms of guarantees to repurchase so-called "proof" kruggerands from clients.

The provisional liquidation coincides with the start of a police investigation into allegations of reckless trading and allegations that about R22m (\$11m) in plant assets are missing.

As a means of expanding the market, the SAGCE's founder, Mr Elies Levine, developed a rating system for specially minted kruggerands which ascribed a significant numismatic value to the coins over and above the intrinsic value of their gold content. This marketing

strategy included an extensive and expensive advertising campaign and guarantees that proof kruggerands would be repurchased at higher prices in the future.

The ability to honour these commitments depended to a considerable extent on the SAGCE's own ability to maintain prices at levels which many analysts believe to be excessively high.

In the past few months, prices have declined despite the SAGCE's efforts

Ford puts in sealed bid for Hughes Aircraft

By Paul Taylor in New York

FORD MOTOR, the U.S. car maker, yesterday confirmed for the first time that it had made a "multi-billion" dollar bid for Hughes Aircraft, the nation's largest defence electronics contractor, put on the auction block by the trustees of the Howard Hughes Medical Institute.

Ford is the first of several large U.S. corporations, which are believed to have submitted sealed bids for Hughes Aircraft to confirm officially its interest in the group, which had sales last year of \$4.9bn and earnings of about \$350m.

Other bidders who submitted offers to Morgan Stanley, the Wall Street investment bank which is handling the sale, by the May 16 deadline are believed to include General Motors and Boeing. Allied Corp and Signal Companies publicly pulled out of the bidding after deciding to launch a \$5bn merger.

Ford's confirmation of its bid came in an updated Ford and Ford Motor Credit prospectus which it said will permit the company and its subsidiaries to resume normal financing transactions which had been temporarily suspended pending the prospectus update.

The motor group said it believed one or more other corporations may also have bid for Hughes Aircraft but it is uncertain whether its offer will be accepted.

If the company should be the successful bidder, it would be required to make a very large outlay of cash resources. It is estimated that the company would make offerings of securities prior to, or after, the closing of the transactions, said Mr Henry Nolte, Ford vice-president.

Morgan Stanley is currently reviewing the bids before making a recommendation to the nine Hughes Institute trustees who will make the final decision on the deal. A decision had been expected within one or two weeks after the bid deadline. The delay is believed to reflect the complexity of some of the bids which are thought to involve both cash and securities rather than the straight cash offers which had been expected.

Wall Street expects Hughes Aircraft to fetch between \$4.5bn and \$6bn - in line with some of the bids which are reported to total more than \$5bn.

Lear Fan buyer sought

Continued from Page 1

Rinaldo Piaggio of Italy. Japanese groups might also be interested.

Dr Rhodes Boyson, Industry Minister at the Northern Ireland Office, admitted on Wednesday, after announcing the appointment of Mr Jordan, that Lear Fan was a high-risk venture, involving private investment of some £70m on top of the public funds.

Mr Jordan, who spent Wednesday in Belfast, said anyone becoming involved in the project would receive royalties on future production. "It's certainly no fault of the workforce that it has failed. With very advanced technology, it's very difficult to avoid problems."

He added: "The concept of the aircraft is probably brilliant. Bill Lear, if he had been alive to see it through, would probably have got it through." Mr Lear had finished work on the design just before his death in 1978 and asked his wife, Moira, to put it into production.

The Lear Fan, of which there are two prototypes in Reno, was to be produced as a 10-seater aircraft, flying at over 40,000 feet, powered at speeds over 400 mph by a single turbo-propeller in the tail. It would use under half the fuel of heavier, metal aircraft.

Mr Jordan said the Lear Fan was still some way from production. Even without full accord on the technology rights, the project could still be transferred to another company if all parties agreed.

Investors who had paid out advance deposits on the Lear Fan jets and were now claiming "very substantial sums" in the U.S. may also have some rights to the technology, he said.

If successful, the Lear Fan project would provide some 2,800 potential jobs in Northern Ireland. The project's failure follows embarrassingly on the De Lorean car venture collapse, which resulted in the loss of £80m in public funds.

Mr Jordan emphasised that he saw no similarities between the De Lorean and Lear Fan cases. There have been no suggestions with Lear Fan that funds have been misused.

THE LEX COLUMN

Westland looks to the west

Westland's defence document is one of the more desperate recent exercises in the genre. Any document that throws in the actuarial surplus from a pension fund as a contingent source of working capital to take on a minority position is expressing a flattering view of the management which is not widely shared outside the company.

It appears that the existing management - which has run into well-known problems with its order book - has been facing difficulties in convincing outside sources of finance that Westland has a suitable business plan. That leaves it at an evident disadvantage to the Bristol consortium, which has at least persuaded a sufficiency of institutions that given £80m to spend in the business it would know what to do with it.

If the stock of Westland 30 helicopters could indeed be liquidated at a reasonable price, which the auditors are unwilling to assume outright, the company might still clutch at an independent future. This seems an outside chance at best. Shareholders are thus faced with the notional choice between a bargain basement disposal to some white knight yet to be identified by Westland's financial advisers - in London and New York - or opting for a part-share in the Bristol recapitalisation. That would doubtless involve clearing the balance sheet (if not the hanger) and clamping down on dividend distributions, in contrast with the present management's philosophy.

Whether Bristol actually has the marketing skill to recover the equity currently tied up in stock, or can bring in quite enough financial

muscle to see Westland through the next cycle, is exactly what shareholders have to decide. Unless Westland does come up with an alternative saviour, the decision will not seem terribly complicated.

Boots

It may be that retailing analysts never suffer headaches, and that London pill-rollers never enter shops, for Boots always manages to get the worst of both worlds. Even after a respectable performance in the second half of the year to March, Boots is still trading at a large discount to both the stores and the pharmaceuticals sector.

As a retailer, Boots is obviously no Burton; but an underlying growth in retail margins in the year of nearly a tenth cannot be entirely due to cost-cutting and better stock control. Gross margins, too, are improving. If the shop-in-shop notion is not quite spanking new, it seems to be leading Boots into higher added-value and should secure decent, if unexciting, growth.

As a druggist, Boots is bound to stand at a discount to the Glaxos of this world so long as the succession to ibuprofen is unclear. Two new drugs are still a long way from intensive clinical trials. Sales of the over-the-counter ibuprofen in the U.S. will hardly make up for the expiry of royalty income from Upjohn's prescription version, and the rest of the world looks unexciting. At this stage, Boots might do well to be thinking hard about a U.S. acquisition that could buy them a bigger share in profits from marketing its retail drugs.

Boots should just about keep up momentum this year and achieve prospective pre-tax profits of £200m (excluding property disposal gains).

This will scarcely draw addicts of either sector into panic purchases of the shares.

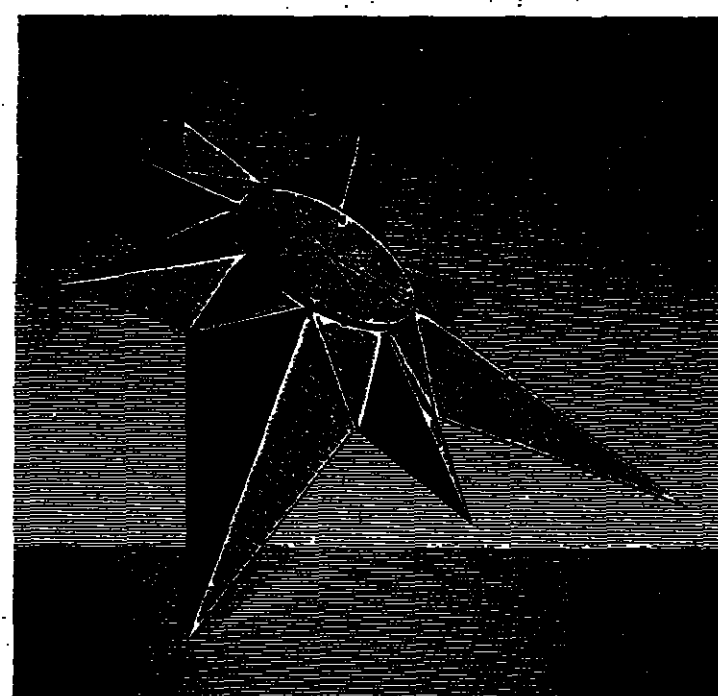
IBL

History seems in some respects to weigh against the stock market prospects of computer leasing companies; all leasing in the UK is popularly supposed to be in long-term decline, thanks to the phasing out of capital allowances, while computer leasing retains a whiff of notoriety - even six years after the collapse of a pioneer computer leasing company sent a shudder through the Lloyd's insurance market.

Despite this unpromising backdrop there should be little difficulty in justifying the £100m capitalisation which has been put on IBL, one of the largest computer leasing companies currently operating from the UK. Like the industry as a whole, IBL has been growing very rapidly, and although it has clearly done as well as anyone else from tax-inspired business since the 1984 budget, there is a good case for seeing future growth which has little to do with tax.

Although it takes a turn from pure leasing finance, IBL would claim that its real commercial strength comes from a combination of a secure customer base - leasing automatically tends to lock customers into their suppliers - and from the ability to switch its hardware between a number of international markets; IBL is less exposed to individual economies than its competitors and better placed to exploit international price differentials. Since it is also relatively conservative in the amount of residual resale value taken into profit as leases are written, the 140p offer price represents a useful starting discount to such forerunners as Atlantic Computers and United Leasing.

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World Weather

Area	Temp	Wind	Cloud	Temp	Wind	Cloud	Temp	Wind	Cloud
Amsterdam	12	12	12	12	12	12	12	12	12
Bombay	22	22	22	22	22	22	22	22	22
Buenos Aires	18	18	18	18	18	18	18	18	18
Calcutta	28	28	28	28	28	28	28	28	28
Canton	25	25	25	25	25	25	25	25	25
Cebu	28	28	28	28	28	28	28	28	28
Colon	28	28	28	28	28	28	28	28	28
Hankow	22	22	22	22	22	22	22	22	22
Hong Kong	28	28	28	28	28	28	28	28	28
Kobe	22	22	22	22	22	22	22	22	22
London	12	12	12	12	12	12	12	12	12
Lyons	12	12	12	12	12	12	12	12	12
Manila	28	28	28	28	28	28	28	28	28
Medan	28	28	28	28	28	28	28	28	28
Osaka	22	22	22	22	22	22	22	22	22
Paris	12	12	12	12	12	12	12	12	12
Shanghai	22	22	22	22	22	22	22	22	22
Singapore	28	28	28	28	28	28	28	28	28
Tokyo	22	22	22	22	22	22	22	22	22
Yokohama	22	22	22	22	22	22	22	22	22

U.S. growth predicted

Continued from Page 1

Non-farm productivity fell 2.5 per cent in the quarter, which saw economic growth come to a virtual halt, expanding at a real annual rate of only 0.7 per cent.

The slowdown in productivity will tend to reinforce the arguments of those economists who say that improvements in productivity trends in the past two years are largely cyclical and do not reflect a dramatic change from the slow productivity growth of the 1970s.

More worrying in the short term is the impact which the decline in productivity growth is having in increasing industry's unit costs,

N-station cost overrun suit

Continued from Page 1

has led to a rash of programme cancellations in recent years. Two stations largely complete are being converted to coal firing.

Halliburton's share price rose \$1 to \$31 1/2 yesterday on the news, but the group's stock is trading at well below its high point of \$87 recorded in 1980. The company said yesterday that earnings this year might well be lower than the net profits of \$330m it achieved on sales of \$5.4bn in 1984. With the addition of the charge, which represents the total post tax cost of its \$750m settlement, it would be in loss.

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SECTION II - COMPANIES & CAPITAL MARKETS
FINANCIAL TIMES
Friday May 31 1985

TAYLOR WOODROW
TEAMWORK IN HOMES
WORLDWIDE

SOVIET ORDERS BRING NEW HOPE FOR STEEL PIPES DIVISION

Mannesmann doubles profits

By Peter Bruce in Bonn

MANNESMANN, the West German engineering group, has followed up its announcement earlier this month of an unchanged DM 4 dividend for 1984 by disclosing a near doubling of worldwide profits.

Dr Joachim Funk, a main board director, said group net profits had risen about 98 per cent to DM 188.6m (S181.4m) last year and turnover to the first quarter of 1985 at DM 3.5bn was 15 per cent up on the first three months of 1984.

He said total 1984 turnover rose 12 per cent to 15.8bn and noted that the profits rise had been achieved despite deepening losses in the group's steel pipes operations, once the mainstay of the company, and which still outdrew any other division.

Mannesmann's steel pipes business lost DM 218.5m last year, after

losing DM 183m the year before. However, Dr Funk said pipes had moved into the black in the first three months of 1985 and production at the start of the year had risen 12 per cent over the same period last year.

Total turnover in the pipes division reached DM 4.8bn last year, a small increase on 1983, but much of this year's recovery could be explained by a major influx of orders from the Soviet Union.

Mannesmann's recovery last year was helped especially by orders outside West Germany, a phenomenon common to most German manufacturers. Exports rose 22 per cent to more than DM 7bn, while domestic turnover actually fell 8 per cent. The export share of total sales rose to 58 per cent from 52 per cent a year earlier.

Probably the most satisfying results last year, however, came from

Clore to take back seat at U.S. group

By William Hall in New York

MR ALAN CLORE, the wealthy British investor, has stepped down as chairman of Gulf Resources and Chemical, a Houston-based natural resources group which has been under attack by a group of dissident shareholders, who argued that Mr Clore had failed to maximise the company's value.

Mr Robert G. Boulton, who served as an interim chief executive of the company for two-and-a-half years until March 1983, has taken over as chairman, and Mr Seymour Grubard, another board member, has been elected vice-chairman of the company. Both men have served on the Gulf Resources board since 1982.

Mr Clore has reduced his stake in the company from 28 per cent to around 20 per cent, but a Gulf Resources official said he expected him to retain a sizeable stake in the company, where he is the biggest shareholder. He will remain a director.

Mr Clore cited the time requirements of his other business commitments in resigning his position.

Gulf Resources also released the final count of the recent proxy battle. Shareholders controlling 39.36 per cent of the company voted for the directors while 33.38 per cent voted for the rival board put up by the dissident group of investors led by Mr David McKane, a private U.S. investor, and Mr Bengt Odner, a London-based businessman.

Meanwhile, Gulf yesterday announced the sale of its important Lithium Corporation of America subsidiary, the largest producer of lithium in the non-communist world, to FMC, the U.S. defence and oilfield equipment group.

Cofima emerges as new bidder for SME foods group

By James Buxton in Rome

PRIVATISATION plans for SME, the foods subsidiary of the Italian state industrial holding company IRI, took a new turn yesterday when IRI received yet another bid for the company at a price higher than that already agreed with Buitoni, the private sector food manufacturer.

The bid came from Cofima, a small company in southern Italy belonging to businessman Giovanni Fimiani. It is worth L220bn (S101m).

On Tuesday IRI received an offer worth L600bn from Ferrero and Barilla, which are both in the food manufacturing sector, and Fininvest, a company whose interests are primarily in television and property which is controlled by Sig Silvio Berlusconi.

This compared with the price of L497bn which Sig Carlo de Benedetti, chairman of Buitoni (as well as of Olivetti) agreed in late April to pay for 94 per cent of SME (Societa Meridionale Finanziaria). The contract was easily the biggest privatisation in Italy, and was shortly afterwards approved by the boards of both Buitoni and IRI.

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Italian telecom flotation planned

By Alan Friedman in Milan

SIRTI, the Italian state-controlled telecommunications installation and maintenance company, will offer 40 per cent of its shares on the Milan bourse for around L200bn (S101m). The issue is the largest partial privatisation of an Italian state company on the stock market.

Dr Francesco Gelit, managing director of Milan-based SIRTI, said he expected the shares to begin trading on the bourse towards the end of July. The share offer, underwritten by a consortium of banks led by Banca Commerciale Italiana (BCI), will be opened for public subscription on June 10. Closing date is June 21.

The last major partial privatisation through an issue on the bourse was last year's successful sale of 20 per cent of Saipem, the pipeline and drilling company controlled by the Eni state energy group. That issue raised L120bn.

The SIRTI issue, following Saipem and the current tangled negotiation over the sale of the SME foods group, is another sign Italian state industry is moving to at least partly privatise several companies.

SIRTI is 95 per cent owned by the IRI-SIRI state holding group. The remaining 5 per cent is held by Pirelli (3 per cent), Fiat (2 per cent) and Cables (1 per cent) and an Italian subsidiary of ITT of the U.S. (1 per cent).

SIRTI will offer 52.3m ordinary shares, of a total of 130m shares, in a deal which will privatise 40.25 per cent of the company. Last year SIRTI recorded a net profit of L54.5bn, an increase of 29 per cent on 1983 results. The company's total revenues last year came to L458bn, up 2.3 per cent.

SIRTI employs 8,550 workers, of whom 3,000 are in Italy. The company last year derived 15 per cent of its turnover from outside Italy.

TWA looks at leveraged buyout plan

By Peter Bruce in New York

TRANS WORLD Airlines, the U.S. carrier, is considering a leveraged buyout in which management and employees would borrow enough to purchase all the company's stock, reports AP-DI in New York.

Eastern Airlines has also said it is studying whether it might be interested in acquiring part or all of TWA.

Either move might thwart a takeover bid by Mr Carl Icahn, the U.S. financier who owns 25 per cent of TWA's stock. Mr Icahn has told TWA he would offer shareholders \$18 a share, or about \$60m for the remaining 75 per cent.

TWA's board has rejected Mr Icahn's offer as inadequate and said it will seek a better offer. If one is not forthcoming within 60 days, the board said it would then relay the Icahn offer to stockholders.

Reed to sell building products business

By Alexander Nicoll in London

REED INTERNATIONAL, the UK publishing, paint and paper group, yesterday put its building products business up for sale. The move is the last stage of a divestment programme which has included Mirror Group Newspapers and its wallpaper and paper merchandising subsidiaries.

Mr Leslie Carpenter, chief executive, said Reed would be disappointed if it sold the building products businesses for less than the capital employed in them - put at £103m (S128m).

Reed's divestments are part of a strategy to focus on a narrower range of activities. The strategy has also involved £70m of acquisitions in the past year including expansion of the company's magazine and paint interests.

Still for sale is Sanderson, the UK furnishing fabric manufacturer.

New \$100m credit launched for Hungary

By Peter Montagnon in London

THE National Bank of Hungary has followed its \$300m World Bank co-financing with the launch of a new \$100m, eight-year credit in the Euro market.

The deal, led by Arab Banking Corporation, Bank of Tokyo, Chemical and National Westminster, will bear a margin of 1/2 per cent over Eurodollar rates, the same as the World Bank credit, though it will not be a co-financing.

Hungary decided to tap the market after its co-financing attracted substantial oversubscription, underlining heavy demand for East European credits.

Unlike other recent East European borrowings, the co-financing could not be increased because it formed part of a World Bank agreed programme.

Closure costs hit Stevens

By Our Financial Staff

J. P. STEVENS, the big U.S. textile group, suffered a \$4.8m loss in the second quarter, following a \$11.7m charge related principally to the costs of closing three clothing fabric plants.

The loss, equivalent to 28 cents a share, compares with profits of \$4.4m or 25 cents a year earlier, and takes profits for the six months ended May 4 to \$7.1m or 40 cents, against \$8.4m or 48 cents.

Restructuring charges in the six months totalled \$16.4m, offset by a capital gain of the same amount from the sale of a subsidiary. Sales slipped from \$550.1m to \$473.9m in the second quarter.

MCI seeks permission to cut telephone tariffs

By Our Financial Staff

MCI Communications, the Washington-based telecommunications company, said it will file with the Federal Communications Commission for rate revisions to reduce long-distance telephone charges to most of its business and residential customers.

The changes, which will take effect on July 1, represent a further move in the increasingly competitive battle between MCI, the other independent telephone companies, and American Telephone & Telegraph.

MCI said the changes would reduce rates for residential and business services by up to 11 per cent.

Elf warns of first-half fall

By Our Financial Staff

ELF AQUITAINE, the French state-controlled oil company whose profits rose strongly for 1984, expects a substantial downturn during the first six months of this year.

M. Michel Pecqueur, the group chairman, said half-year earnings were likely to decline to FF 3.2bn against the FF 4.8bn turned in for the first half of 1984.

This prospect contrasts gloomily with the strength of profits in 1984 when net earnings rose to FF 6.5bn.

The result allowed Elf to step up its dividend from FF 12 a share to FF 13.50. Profits after tax in 1983 totalled FF 3.7bn.

INTERNATIONAL BONDS

Borrowers drawn to partly-paid deals

By Maggie Urry in London

PARTLY-PAID issues are becoming the fashion among Eurodollar bond issuers, giving borrowers very attractive swap terms. Yesterday the European Investment Bank launched a \$200m partly-paid deal, led by Bankers Trust, and Austria launched a partly-paid zero coupon bond.

The EIB bonds have a five year life and the coupon was set at 10 per cent. With issue price at 100% and fees totalling 1 1/4 per cent, traders regarded the terms as rather tight. The issue was said to be moving slowly, but just outside the fees.

Of the issue price, \$25 is payable in June and the remaining \$75 is due in November. Dealers argued that the five-year life did not give sufficient leverage to make the partly-paid feature attractive.

Late in the day Morgan Guaranty launched a day-paid zero coupon bond issue for Austria, also swap related. The redemption value of the issue is \$257.5m and the bonds have a 10-year life. Issue price is \$28.83 of which \$9.83 is payable in July with the other \$20 on December 17 this year. Fees total \$14 but the issue came too late to trade actively.

The International Finance Corporation, a World Bank affiliate which lends to private sector companies in developing countries, has launched its second borrowing on the Euro market in the form of a \$50m, 10 year private placement led by Nomura International.

Proceeds of the deal are to be swapped into floating rate dollars at a rate "well below six month Libor", the IFC said yesterday. Terms on the placement, which includes a zero coupon tranche, are not being disclosed, but are understood to be

BNF Bank bond average

May 30	Previous
High 102.64	102.64
Low 102.580	102.580

The third D-Mark deal was for Fujitsu, the Japanese computer group, which also raised SwFr 400m in the Swiss franc foreign bond market yesterday. The bonds are convertible into shares at a 5 per cent premium and the coupon is indicated at 2 1/4 per cent, the lowest seen in the D-Mark market. The bonds were trading close to their par issue price.

Fujitsu has not launched a D-Mark issue for seven years, though the company has a large export quota to West Germany. It has a substantial investment programme and the shares have been strong performers on the Tokyo Stock Exchange.

The Bundesbank announced the total D-Mark Eurobond issue volume for June which amounts to DM 2.855bn. Nine straight issues are due totalling DM 1.035bn, two floaters will raise DM 1bn - one of which is for Ireland - and four zero coupon bonds will raise net proceeds of DM 550m.

The D-Mark bond market was a touch firmer yesterday in response to the gains in New York.

European currency unit bond issues were also appearing thick and fast. Banque Paribas launched an Ecu 75m issue for Sunatombank. This has an eight-year life and a 9 per cent coupon with issue price at 100%. The proceeds are being swapped into floating rate funds.

Societe Generale brought an Ecu 30m deal for Andelsbanken Danabank with a seven-year maturity and 9 1/4 per cent coupon, priced at 100%. Both issues were trading at around a 1/2 point discount to issue price and with the Ecu market con-

- Algemene Bank Nederland N.V.
Barclays Bank Group
Credit Suisse First Boston Limited
Deutsche Bank Aktiengesellschaft
Hill Samuel & Co. Limited
Lloyds Bank International Limited
Merrill Lynch Capital Markets
Morgan Grenfell & Co. Limited
Orion Royal Bank Limited
Societe Generale de Banque S.A.
Union Bank of Switzerland (Securities) Limited
- Baring Brothers & Co., Limited
- Banque Paribas Capital Markets
County Bank Limited
Daiwa Europe Limited
Hambros Bank Limited
Kleinwort, Benson Limited
LTCB International Limited
Samuel Montagu & Co. Limited
Morgan Guaranty Ltd
J. Henry Schroder Wagg & Co. Limited
Swiss Bank Corporation International Limited
S.G. Warburg & Co. Ltd.

- Al-Mal Group
Amro International Limited
Ashraf & Co. Limited
Banca Commerciale Italiana
BankAmerica Capital Markets Group
Bank in Liechtenstein AG
Bank Leu International Ltd.
Bank Mos. & Hope NV
Bank of Tokyo International Limited
Bankers Trust International Limited
Banque Bruxelles Lambert S.A.
Banque Generale de Luxembourg S.A.
Banque Gutwiler, Kurz, Buegener (Overseas) Limited
Banque Indosuez
Banque Internationale de Luxembourg S.A.
Banque Louis-Dreyfus in Suisse SA
Banque Nationale de Paris
Banque Worms
Baring Paribas Securities Limited
Bayerische Hypothek- und Wechselbank Aktiengesellschaft
Bayerische Landesbank Girozentrale
Bayerische Vereinsbank Aktiengesellschaft
Berliner Bank Aktiengesellschaft
Berliner Handels- und Frankfurter Bank
Caisse Centrale des Banques Populaires
Caisse des Depots et Consignations
Caisse Nationale de Credit Agricole
James Capel & Co.
Cazenove & Co.
Chenier & Co.
Chase Manhattan Capital Markets Group
Chemical Bank International Group
CIBC Limited
Citicorp Capital Markets Group
Commerzbank Aktiengesellschaft
Compagnie de Banque et d'Investissements
Compagnie Meneghetti de Banque
Credit Commercial de France
- Crédit du Nord
Crédit Lyonnais
Dai-ichi Kangyo International Limited
DG Bank
Deutsche Genossenschaftsbank
Dillon, Read Limited
Dominion Securities Field Limited
Dresdner Bank Aktiengesellschaft
Enskilda Securities
Skandinaviska Enskilda Bank
Die Erste Oesterreichische Spar-Casse-Bank
European Banking Company Limited
First Chicago Limited
First Interstate Limited
Fuji International Finance Limited
Genossenschaftliche Zentralbank AG
Girozentrale und Bank der Oesterreichischen Sparkassen Aktiengesellschaft
Goldman Sachs International Corp.
W. Greenwell & Co.
Grindlay Branch Limited
Guinness Mahon & Co. Limited
Hauke Govers Ltd.
IBI International Limited
Kansallis-Osake-Pankki
Kiddier, Peabody International Limited
Kreditbank International Group
Lazard Freres et Co.
Manufacturers Hanover Limited
B. Metzler Seel, Sohn & Co.
Mitsubishi Finance International Limited
Mitsui Finance International Limited
Morgan Stanley International
The National Bank of Kuwait S.A.K.
Nederlandsche Credietbank N.V.
Nederlandsche Middestandsbank N.V.
New Japan Securities Europe Limited
The Nikko Securities Co. (Europe) Ltd.
Nippon Kangyo Bank (Europe) Limited
- Nomura International Limited
Oesterreichische Landesbank Aktiengesellschaft
Paine-Webber International
Phillips & Drew
Pieron, Holding & Pierson N.V.
PK Christiana Bank (UK) Ltd.
Poussinbank
Prudential-Bache Securities International
Rabobank Nederland
R.M. Rothschild & Sons Limited
Rowe & Pimans
Royal Bank of Scotland
Salomon Brothers International Limited
Sarasini International Securities Limited
Simon & Co.
Singer & Friedlander Limited
Smith Barney, Harris Upham & Co.
Societe Generale
Standard Chartered Merchant Bank
Strauss Turnbull & Co.
Sumitomo Trust International Limited
Svenska Handelsbanken Group
Swiss Volksbank
The Tazuo Kibei Bank (Luxembourg) S.A.
Tokai International Limited
Toyo Trust International Limited
Union Bank of Finland Ltd.
Verband Schweizerischer Kantonalbanken
Verrens- und Westbank Aktiengesellschaft
Bank J. Vostobel & Co. AG
Vickers de Costa Ltd.
Westdeutsche Landesbank Girozentrale
Westfalian Bank Aktiengesellschaft
Williams & Glyn's Bank PLC
Wood Gundy Inc.
Yamachi International (Europe) Limited
Yasuda Trust Europe Limited
de Zee and Bevan

Colorado Interstate Corporation

a subsidiary of



The Coastal Corporation

\$1,750,000,000

Credit Agreement

to finance the acquisition of

American Natural Resources Company

funds provided by

 Bankers Trust Company Citibank, N.A.
 Bank of Montreal Canadian Imperial Bank of Commerce

Mellon Bank, N.A.

 Marine Midland Bank, N.A. The Royal Bank of Canada
 The Toronto Dominion Bank

 Arab Banking Corp. Continental Illinois National Bank
 Security Pacific National Bank

Texas Commerce Bank, N.A.

The Bank of New York

MBank Houston, N.A.

Co-Agents

Bankers Trust Company Citibank, N.A.

March 1985

INTERNATIONAL COMPANIES and FINANCE

Four city banks suffer setbacks

BY CARLA RAPOPORT IN TOKYO

FOUR OF Japan's 13 big commercial banks, called city banks, registered a drop in pre-tax profits for the year to March, despite increased revenues across the board.

Of the remaining nine banks, profit growth varied widely, with the Bank of Tokyo showing a 40 per cent increase at the pre-tax level and Sanwa Bank 30 per cent. Among those showing falls were Sumitomo Bank, Japan's largest city bank, and Daiichi, the second largest.

Sumitomo, the only bank to provide any comment on its figures yesterday, blamed its 4.3 per cent decrease in net income in the year on a drop in revenues from domestic operations and a substantial increase in capital expenditure, particularly for expanding the bank's electronic banking system.

The increasingly international

JAPANESE COMMERCIAL BANKS

Parent company results, year to March 1985 (March 1984) Figures in Ybn

	Gross revenue	Pre-tax profits	Before securities transactions	Net profits
Sumitomo	2,056 (1,442)	158.48 (167.33)	134.94 (150.10)	75.04 (78.36)
Fuji	2,056 (1,485)	144.67 (152.40)	107.34 (127.22)	48.76 (72.02)
Daiichi Kangyo	2,230 (1,787)	133.99 (137.80)	113.56 (110.99)	48.13 (56.35)
Mitsubishi	1,929 (1,568)	122.46 (130.70)	112.56 (114.04)	62.14 (60.14)
Sanwa	1,662 (1,545)	128.44 (104.47)	90.21 (92.04)	58.65 (55.88)
Tokai	1,414 (1,213)	87.97 (82.44)	50.29 (43.97)	36.09 (27.14)
Mizuho	1,341 (1,131)	74.24 (52.54)	45.49 (35.01)	35.05 (33.01)
Tokai	1,305 (1,033)	80.10 (74.51)	57.03 (60.01)	38.43 (36.74)
Taiyo Kobe	1,060 (888)	51.83 (57.14)	33.18 (47.35)	19.25 (20.04)
Daiwa	705 (587)	35.29 (41.49)	14.37 (23.11)	14.09 (15.42)
Kyowa	649 (527)	34.34 (32.56)	22.87 (29.14)	14.24 (13.42)
Sakama	431 (320)	29.44 (32.89)	25.80 (31.49)	14.93 (14.45)
Hokuriku	571 (404)	27.37 (23.53)	15.53 (12.43)	9.71 (9.61)

nature of the Japanese banks was apparent in the figures, which showed that all but one had boosted overseas revenues markedly in the year. Among the larger city banks, Sumitomo, Mitsubishi and Daiichi

Kangyo showed the best advances in revenues from overseas activities. Most Japanese banking analysts track the bank's profits before securities gains, because movements in the banks' huge

stock portfolios can sometimes distort the net income figure. At this level, all but three banks showed a decrease in profits, ranging from 1.6 per cent drop at Tokai Bank to a 29.9 per cent fall at Taiyo Kobe Bank.

Mitsubishi lifts Hyundai stake

By Our Financial Staff

THE MITSUBISHI group of Japan is to boost its stake in Hyundai Motor of South Korea to 15 per cent from the present 10 per cent. The move forms part of a planned capital increase by the Seoul company in order to finance an expanded assembly capacity.

Hyundai is due shortly to increase its capital to 114.3bn won (\$131.5m)

Container demand boosts Japanese shipping lines

BY YOKO SHIBATA IN TOKYO

COMBINED PRE-TAX profits of Japan's six big shipping lines recovered to ¥17bn (\$67.7m) in the year to March from losses which the previous year totalled ¥2.3bn.

Improvement reflected active container demand on North American routes, combined with higher revenue, on dollar-denominated freight

depreciation. The year's sharp

Four of the lines omitted their annual dividend, however, indicating the depth of the recession in the shipping market.

Container services to the U.S. returned to a profitable level during the year, while active demand for carriers of iron ore, coal and cars also helped. Tanker operations, where overcapacity problems are acute, remained in the red.

Stronger than expected earnings were reported by Nippon Yusen Kaisha (NYK), the largest in the sector, with a favourable contribution from its car carrier and liner services. At the interim stage last September, NYK had forecast an earnings setback for the full year. Instead, taxable profits rose 45.7 per cent.

Similarly, better business for its liners and cargo service

Top NZ groups face questions on share links

By Dai Hayward in Wellington

THE interlocking shareholdings and common directorships of three of New Zealand's top companies — the Goodman group, Wattie Industries, and NZ Forest Products — have been called into question by the Commerce Commission.

It suggests the close relationships — particularly between Goodman and Wattie, which are both heavily involved in the food business — could restrict competition in New Zealand's domestic markets.

Goodman has 35 per cent of Wattie which in turn holds 23 per cent of Goodman. Wattie recently acquired Goodman's 50 per cent stake in their jointly owned Dominion Industries — the vehicle used to acquire a shareholding in NZ Forest Products.

The acquisition gave Wattie 24.9 per cent of NZFP, which also has 24.9 per cent of Wattie's. Between them, Goodman and NZFP own 60 per cent of Wattie Industries.

Goodman and Wattie have six directors in common out of a board of 12 for each company. As the chairman has a casting vote, the commission suggests this could give control to the same seven people.

Interest rate experiment abandoned by India

By John Elliott in New Delhi and R. C. Murthy in Bombay

AN EXPERIMENT aimed at introducing flexibility into short-term interest rates paid by India banks has been abandoned by the Reserve Bank of India (RBI) after less than a month's full operation.

Government-owned banks, which account for more than 95 per cent of the country's banking system, opposed this attempt to relax banking controls and force the central bank to back down.

They won their argument after a large amount of funds moved into the short-term accounts which were offering high rates of interest.

The Indian Government is keeping its distance from the row that has broken out. But it approved the broad approach of the RBI, which was in line with attempts made since Mr Rajiv Gandhi became Prime Minister seven months ago to open up business to competition and to increase efficiency.

Mr B. N. Malhotra, RBI governor, has told the banks in a letter that they had prevented the emergence of efficient portfolio management by failing to fix interest rates that would prevent large-scale switching of funds.

But Mr J. S. Varshneya, chairman of Punjab National, one of the country's largest banks, claims that the additional interest burden would have cost the banks Rs 5bn (\$402m) in a full year.

The RBI started the experiment early in April. It lifted controls which fixed an interest rate of 3 per cent for short-term deposits of less than a year, allowing the banks to set their own rates up to a ceiling of 5 per cent.

Immediately the Government-owned banks jointly agreed within their own Indian Banks' Association to apply a general rate of 4 per cent.

Bank of America led a counter-move by foreign banks and offered 8 per cent, the spirit of the experiment.

To prevent an outflow of funds, the Government-owned banks also moved to 6 per cent.

All of these securities have been sold. This announcement appears as a matter of record only.

May, 1985

AST

RESEARCH INC.

1,400,000 Shares

Common Stock

L. F. ROTHSCHILD, UNTERBERG, TOWBIN

SHEARSON LEHMAN BROTHERS INC.

BEAR, STEARNS & CO.	THE FIRST BOSTON CORPORATION	ALEX. BROWN & SONS
DILLON, READ & CO. INC.	DONALDSON, LUFKIN & JENRETTE	DREXEL BURNHAM LAMBERT
GOLDMAN, SACHS & CO.	HAMBRECHT & QUIST	E. F. HUTTON & COMPANY INC.
KIDDER, PEAODY & CO.	LAZARD FRERES & CO.	MERRILL LYNCH CAPITAL MARKETS
MONTGOMERY SECURITIES	MORGAN STANLEY & CO.	PAINWEBBER
SALOMON BROTHERS INC.	SMITH BARNEY HARRIS UPHAM & CO.	PRUDENTIAL-BACHE
ALLEN & COMPANY	F. EBERSTADT & CO., INC.	WERTHEIM & CO., INC.
OPPENHEIMER & CO., INC.	THOMSON MCKINNON SECURITIES INC.	LADENBURG, THALMANN & CO. INC.
BANCA del GOTTARDO	SAMUEL MONTAGU & CO.	NEDERLANDSCHE MIDDENSTANDBANK N.V.
PICTET INTERNATIONAL LTD.		PIERSON, HELDRING & PIERSON N.V.
J. HENRY SCHRODER WAGG & CO.		VEREINS- und WESTBANK

All of these securities have been sold. This announcement appears as a matter of record only.

May, 1985



Nichols Institute

1,375,000 Shares

Common Stock

L. F. ROTHSCHILD, UNTERBERG, TOWBIN

BEAR, STEARNS & CO.	ALEX. BROWN & SONS	DILLON, READ & CO. INC.
DONALDSON, LUFKIN & JENRETTE	DREXEL BURNHAM LAMBERT	GOLDMAN, SACHS & CO.
E. F. HUTTON & COMPANY INC.	KIDDER, PEAODY & CO.	LAZARD FRERES & CO.
MONTGOMERY SECURITIES	MORGAN STANLEY & CO.	PAINWEBBER
SALOMON BROTHERS INC.	SMITH BARNEY HARRIS UPHAM & CO.	PRUDENTIAL-BACHE
ALLEN & COMPANY	F. EBERSTADT & CO., INC.	SHEARSON LEHMAN BROTHERS INC.
OPPENHEIMER & CO., INC.	THOMSON MCKINNON SECURITIES INC.	WERTHEIM & CO., INC.
BANCA del GOTTARDO	SAMUEL MONTAGU & CO.	NEDERLANDSCHE MIDDENSTANDBANK N.V.
PICTET INTERNATIONAL LTD.		PIERSON, HELDRING & PIERSON N.V.
J. HENRY SCHRODER WAGG & CO.		VEREINS- und WESTBANK

JAPAN'S BIG SIX SHIPPING LINES

Parent company	Sales	Pre-tax profits	Dividend
(Ybn)	(Ybn)	(Ybn)	(Ybn)
NYK	573	15.18	2.66
Mitsui	(585)	(10.42)	(10.77)
OSK	516	11.08	7.10
K-Line	(481)	(5.53)	(1.84)
Japan Line	399	7.06	2.25
Y.S. Line	(353)	(8.73)	(1.26)
Shoowa Line	218	(14.48)	(9.33)
	199	(2.25)	(4.56)
	(189)	(3.12)	(4.47)
	161	0.34	2.25
	(150)	(0.96)	(1.75)

DAIWA EUROPE LIMITED

JAPANESE EQUITY WARRANTS SERVICE

ISSUER—Warrant expiry date	Current Market Price	Offer Calculations
	Wmtr Bid Offer Price Premium (%) (Yen)	Geas. Geading Reg. Ratio
CASIO 6/2/85	43.50 45.00 1.50	11.40 2.75 6.17
C ITOH 4/5/85	27.50 28.00 0.50	4.33 3.82 1.26
C ITOH 20/1/87	44.00 47.00 3.00	24.14 10.31 8.37
FUJIKURA CABLE 28/4/85	5.00 7.00 2.00	34.14 10.31 8.37
HAZAMA GUMI 1/1/85	7.50 8.00 0.50	44.50 8.20 5.39
J S S 26/4/85	1.00 1.50 0.50	3.00 1.00 0.60
JUSCO 22/12/85	73.00 76.00 3.00	24.54 1.81 13.33
KAYABA 15/2/85	9.50 10.00 0.50	15.14 2.12 1.60
KUMORI PRINT 2/12/85	19.00 20.50 1.50	11.39 5.21 2.19
MARZEN 12/2/85	10.00 11.50 1.50	30.75 7.80 4.01
MINESHA 20/2/85	34.00 36.00 2.00	71.38 3.10 34.91
MIT CHEM 20/1/87	88.00 91.00 3.00	18.63 1.68 11.26
MIT CORP 7/1/85	25.50 28.00 2.50	14.06 1.70 1.87
MIT GAS 20/2/85	13.00 14.50 1.50	4.27 6.97 0.64
MITTEL 5/5/10/85	12.50 12.50 0.00	8.80 7.75 1.15
MITSU 1/5/10/85	24.50 26.50 2.00	14.06 1.70 1.87
MIT METAL 10/2/85	75.00 78.00 3.00	36.03 1.61 22.32
MIT METAL 10/1/85	13.00 13.00 0.00	27.91 4.67 1.63
MITSU PET CHEM 15/2/90	25.00 26.50 1.50	13.24 4.35 3.04
NIPPON MIN 17/3/85	84.00 87.00 3.00	28.96 1.57 18.36
NISSHO IWAI 1/2/85	10.50 12.00 1.50	14.06 1.70 1.87
NOMURA 31/10/85	60.50 62.00 1.50	1.70 2.45 0.69
ONODA CEMENT 10/1/85	28.50 30.00 1.50	11.61 6.71 7.78
OMRON TATEISHI 31/3/85	9.00 10.50 1.50	89.05 5.97 3.86
ONODA CEMENT 28/2/85	14.50 16.50 2.00	0.36 5.10 0.11
OFTEC 24/1/85	19.00 20.50 1.50	12.78 6.37 2.36
OSAKA TRANSPORTER 25/1/85	12.00 13.00 1.00	14.06 1.70 1.87
RENOWN 24/1/85	8.50 9.00 0.50	23.81 10.22 2.33
RYOBI 1/5/85	5.50 6.00 0.50	33.25 10.10 1.14
SEINO TRANSPORT 17/3/85	5.00 5.50 0.50	33.25 10.10 1.14
SONY TYRES 20/3/87	34.00 35.00 1.00	46.40 1.82 26.32
SONY CORP 28/2/85	21.50 23.00 1.50	26.78 1.14 1.43
SUMI CONSTRUCTION 24/3/85	44.00 47.00 3.00	20.05 2.44 6.23
SUMI REALTY 21/1/85	28.00 29.50 1.50	1.57 3.34 0.47
TOKYO ELECTRIC 14/2/85	8.50 9.50 1.00	26.14 3.16 1.47
TOKYO SANYO 5/8/87	14.50 16.00 1.50	67.67 6.88 69.06
TOKYO CORP 28/1/85	27.50 28.00 0.50	1.44 4.44 0.32
TRAY 5/3/85	11.00 11.00 0.00	7.00 1.01 1.01
TOYO ENG 28/2/85	52.00 54.00 2.00	63.90 1.66 38.40
YAMAMURA 10/1/85	10.00 11.00 1.00	14.06 1.70 1.87
YAMATO KOGYO 28/1/85	8.50 11.00 2.50	20.25 8.20 2.45

U.S. \$30,000,000



State Bank of India

(Incorporated by Act of Parliament of the Republic of India)

Floating Rate Notes Due 1987

In accordance with the provisions of the Notes, notice is hereby given that for the six month interest period from 31st May, 1985 to 29th November, 1985 the Notes will carry an Interest Rate of 8 1/2% per annum and the Coupon Amount per U.S. \$1,000 will be U.S. \$42.66.

 Credit Suisse First Boston Limited
 Agent Bank

U.S. \$30,000,000



Teollisuuden Voima Oy — Industrius Kraft Ab

(TYVO Power Company)

(Incorporated in Finland with limited liability)

Guaranteed Drop-Lock Bonds Due 1991

 Unconditionally and irrevocably guaranteed by the
 Republic of Finland

In accordance with the provisions of the Bonds, notice is hereby given that the Rate of Interest with effect from 31st May 1985 will become FIXED for the remaining life of the Bonds at 9% per annum. Interest Payments will be due ANNUALLY on 31st May in each year at the rate of U.S. \$90.00 for each Bond of U.S. \$1,000.

 Credit Suisse First Boston Limited
 Agent Bank

U.S. \$25,000,000

IBJ

The Industrial Bank of Japan, Limited

London

Floating Rate London-Dollar Negotiable

Certificates of Deposit due 29th May, 1987

In accordance with the provisions of the Certificates, notice is hereby given that for the six month interest period from 31st May, 1985 to 29th November, 1985 the Certificates will carry an Interest Rate of 8 1/2% per annum. The relevant Interest Payment Date will be 29th November, 1985.

 Credit Suisse First Boston Limited
 Agent Bank


Bank of Ireland

U.S. \$50,000,000

Floating Rate Capital Notes 1989

In accordance with the provisions of the Notes notice is hereby given that for the three months interest period from 31st May, 1985 to 30th August, 1985 the Notes will carry an Interest Rate of 8 1/4% per annum. The interest payable on the relevant interest payment date, 30th August, 1985 against Coupon No. 23 will be U.S. \$20.54.

 By Morgan Guaranty Trust Company of New York, London
 Agent Bank

INTL. COMPANIES & FINANCE

Abitibi-Price shelves share offer as market value soars

By Bernard Simon in Toronto

ABITIBI-PRICE, the Canadian newspaper and forest products group, has postponed its first share offer in 70 years amid speculation on plans for the company by controlling shareholders Toronto-based property group Olympia & York.

Abitibi's share price has soared on the Toronto stock exchange in recent weeks, reflecting rumours that the company will be a major beneficiary of Olympia & York's plans to buy a controlling interest in Gulf Canada from Chevron of San Francisco.

Mr Ken Stevens, Abitibi's senior vice-president for finance, said yesterday the company would defer the share issue "until the situation is clarified."

Kredietbank to acquire Hoop Offers

By Laura Raim in Amsterdam

KREDIETBANK of Brussels plans to take a 75 per cent controlling stake in Bank van Hoop Offers, a small merchant bank in Rotterdam, in an effort to internationalise both institutions' activities.

The share capital of Hoop Offers, which is a wholly-owned subsidiary of the Huidje-Langeveldt financial group, will be doubled to Fl 35.5m (\$10.5m) through a new share offering. Hoop Offers' balance sheet totals Fl 11.5m.

Kredietbank, a leading Belgian bank, has sought to expand internationally recently with acquisitions of Irish and West German banks as well as affiliates in New York, London, Bahrain and Los Angeles.

Swiss Reinsurance expects static year

By Our Zurich Correspondent

SWISS Reinsurance expects a static year for 1984 to be about the same as the SwFr 90m (\$34.8m) recorded for the previous year, thanks to a marked rise in investment income.

The Zurich-based company says difficulties in North American third-party business have led to an unsatisfactory underwriting result in casualty and non-life reinsurance. In 1983, there had been an underwriting loss of SwFr 250m with SwFr 57 per share and participation certificate.

At the June 27 annual meeting, shareholders will also be asked to approve a one-for-one issue of 100,000 registered shares, raising SwFr 70m. Shareholders will also vote on the creation of new participation-certificate capital.

Wienerwald continues recovery

By John Wicks in Zurich

WIENERWALD, the international restaurant chain, stayed in profit last year with operational net earnings of SwFr 900,000 (\$346,000).

The Swiss-based group, which went through major reorganisation after being faced with severe financial difficulties in 1982, showed a 1984 turnover of SwFr 380.7m, including the sales of franchises. This compares with a peak of SwFr 1.77bn in 1981.

After closing 45 restaurants - of which 42 were franchise outlets - last year, the group comprised 185 of its own restaurants and 133 franchise outlets. About 80 per cent of total 1984 turnover was accounted for by West German operations and almost all the rest by activities in Austria.

Despite the booking of a small net profit of some SwFr 400,000 last year, the Swiss holding company cannot yet resume dividend payments. When these begin, a priority dividend of 5 per cent will be reserved for Svidio-Abwicklungsgesellschaft, a Swiss company formed by former creditors of Wienerwald Holdings.

Kronebanken merger talks

By Hilary Barnes in Copenhagen

KRONEBANKEN, threatened with closure last December after sustaining heavy losses, has opened negotiations for a merger with Provisbank, based in Aarhus, Jutland.

Kronebanken said it expected a positive outcome to the negotiations, probably by the end of next week.

Provisbank turned down an option to acquire Kronebanken, a Zealand regional bank, in January, judging Kronebanken's losses of Dkr 1.3bn (\$117m) to be more than it was able to absorb.

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. The following are closing prices for May 30.

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Yield
Ameri Credit 12 1/2 90	100	100 1/2	101 1/2	+ 0 1/2	10.60
Ameri Credit 12 1/2 85	150	106 1/2	107 1/2	+ 0 1/2	10.20
Ameri Credit 12 1/2 82	100	112 1/2	113 1/2	+ 0 1/2	10.20
Bank of Tokyo 12 1/2 91	100	107 1/2	108 1/2	+ 0 1/2	11.10
BP Capital 11 1/2 92	150	101 1/2	102 1/2	+ 0 1/2	11.10
Canal Natl 12 1/2 91	100	112 1/2	113 1/2	+ 0 1/2	10.20
Canada 11 1/2 90	100	107 1/2	108 1/2	+ 0 1/2	11.10
Canada 12 1/2 89	75	109 1/2	110 1/2	+ 0 1/2	11.10
CBS Inc 11 1/2 90	100	102 1/2	103 1/2	+ 0 1/2	11.10
Coca Cola 12 1/2 91	100	106 1/2	107 1/2	+ 0 1/2	11.10
Denmark 12 1/2 91	100	106 1/2	107 1/2	+ 0 1/2	11.10
Denmark 12 1/2 89	100	106 1/2	107 1/2	+ 0 1/2	11.10
Denmark 12 1/2 87	100	106 1/2	107 1/2	+ 0 1/2	11.10
EEC 11 1/2 90	100	106 1/2	107 1/2	+ 0 1/2	11.10
EIB 12 1/2 90	200	106 1/2	107 1/2	+ 0 1/2	11.10
Export Dev Corp 12 1/2 90	100	106 1/2	107 1/2	+ 0 1/2	11.10
Export Dev Corp 12 1/2 89	100	106 1/2	107 1/2	+ 0 1/2	11.10
Export Dev Corp 12 1/2 87	100	106 1/2	107 1/2	+ 0 1/2	11.10
Export Dev Corp 12 1/2 85	100	106 1/2	107 1/2	+ 0 1/2	11.10
Export Dev Corp 12 1/2 83	100	106 1/2	107 1/2	+ 0 1/2	11.10
Export Dev Corp 12 1/2 81	100	106 1/2	107 1/2	+ 0 1/2	11.10
Export Dev Corp 12 1/2 79	100	106 1/2	107 1/2	+ 0 1/2	11.10
Export Dev Corp 12 1/2 77	100	106 1/2	107 1/2	+ 0 1/2	11.10
Export Dev Corp 12 1/2 75	100	106 1/2	107 1/2	+ 0 1/2	11.10
Export Dev Corp 12 1/2 73	100	106 1/2	107 1/2	+ 0 1/2	11.10
Export Dev Corp 12 1/2 71	100	106 1/2	107 1/2	+ 0 1/2	11.10
Export Dev Corp 12 1/2 69	100	106 1/2	107 1/2	+ 0 1/2	11.10
Export Dev Corp 12 1/2 67	100	106 1/2	107 1/2	+ 0 1/2	11.10
Export Dev Corp 12 1/2 65	100	106 1/2	107 1/2	+ 0 1/2	11.10
Export Dev Corp 12 1/2 63	100	106 1/2	107 1/2	+ 0 1/2	11.10
Export Dev Corp 12 1/2 61	100	106 1/2	107 1/2	+ 0 1/2	11.10
Export Dev Corp 12 1/2 59	100	106 1/2	107 1/2	+ 0 1/2	11.10
Export Dev Corp 12 1/2 57	100	106 1/2	107 1/2	+ 0 1/2	11.10
Export Dev Corp 12 1/2 55	100	106 1/2	107 1/2	+ 0 1/2	11.10
Export Dev Corp 12 1/2 53	100	106 1/2	107 1/2	+ 0 1/2	11.10
Export Dev Corp 12 1/2 51	100	106 1/2	107 1/2	+ 0 1/2	11.10
Export Dev Corp 12 1/2 49	100	106 1/2	107 1/2	+ 0 1/2	11.10
Export Dev Corp 12 1/2 47	100	106 1/2	107 1/2	+ 0 1/2	11.10
Export Dev Corp 12 1/2 45	100	106 1/2	107 1/2	+ 0 1/2	11.10
Export Dev Corp 12 1/2 43	100	106 1/2	107 1/2	+ 0 1/2	11.10
Export Dev Corp 12 1/2 41	100	106 1/2	107 1/2	+ 0 1/2	11.10
Export Dev Corp 12 1/2 39	100	106 1/2	107 1/2	+ 0 1/2	11.10
Export Dev Corp 12 1/2 37	100	106 1/2	107 1/2	+ 0 1/2	11.10
Export Dev Corp 12 1/2 35	100	106 1/2	107 1/2	+ 0 1/2	11.10
Export Dev Corp 12 1/2 33	100	106 1/2	107 1/2	+ 0 1/2	11.10
Export Dev Corp 12 1/2 31	100	106 1/2	107 1/2	+ 0 1/2	11.10
Export Dev Corp 12 1/2 29	100	106 1/2	107 1/2	+ 0 1/2	11.10
Export Dev Corp 12 1/2 27	100	106 1/2	107 1/2	+ 0 1/2	11.10
Export Dev Corp 12 1/2 25	100	106 1/2	107 1/2	+ 0 1/2	11.10
Export Dev Corp 12 1/2 23	100	106 1/2	107 1/2	+ 0 1/2	11.10
Export Dev Corp 12 1/2 21	100	106 1/2	107 1/2	+ 0 1/2	11.10
Export Dev Corp 12 1/2 19	100	106 1/2	107 1/2	+ 0 1/2	11.10
Export Dev Corp 12 1/2 17	100	106 1/2	107 1/2	+ 0 1/2	11.10
Export Dev Corp 12 1/2 15	100	106 1/2	107 1/2	+ 0 1/2	11.10
Export Dev Corp 12 1/2 13	100	106 1/2	107 1/2	+ 0 1/2	11.10
Export Dev Corp 12 1/2 11	100	106 1/2	107 1/2	+ 0 1/2	11.10
Export Dev Corp 12 1/2 9	100	106 1/2	107 1/2	+ 0 1/2	11.10
Export Dev Corp 12 1/2 7	100	106 1/2	107 1/2	+ 0 1/2	11.10
Export Dev Corp 12 1/2 5	100	106 1/2	107 1/2	+ 0 1/2	11.10
Export Dev Corp 12 1/2 3	100	106 1/2	107 1/2	+ 0 1/2	11.10
Export Dev Corp 12 1/2 1	100	106 1/2	107 1/2	+ 0 1/2	11.10

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Yield
Ameri Credit 12 1/2 90	100	100 1/2	101 1/2	+ 0 1/2	10.60
Ameri Credit 12 1/2 85	150	106 1/2	107 1/2	+ 0 1/2	10.20
Ameri Credit 12 1/2 82	100	112 1/2	113 1/2	+ 0 1/2	10.20
Bank of Tokyo 12 1/2 91	100	107 1/2	108 1/2	+ 0 1/2	11.10
BP Capital 11 1/2 92	150	101 1/2	102 1/2	+ 0 1/2	11.10
Canal Natl 12 1/2 91	100	112 1/2	113 1/2	+ 0 1/2	10.20
Canada 11 1/2 90	100	107 1/2	108 1/2	+ 0 1/2	11.10
Canada 12 1/2 89	75	109 1/2	110 1/2	+ 0 1/2	11.10
CBS Inc 11 1/2 90	100	102 1/2	103 1/2	+ 0 1/2	11.10
Coca Cola 12 1/2 91	100	106 1/2	107 1/2	+ 0 1/2	11.10
Denmark 12 1/2 91	100	106 1/2	107 1/2	+ 0 1/2	11.10
Denmark 12 1/2 89	100	106 1/2	107 1/2	+ 0 1/2	11.10
Denmark 12 1/2 87	100	106 1/2	107 1/2	+ 0 1/2	11.10
EEC 11 1/2 90	100	106 1/2	107 1/2	+ 0 1/2	11.10
EIB 12 1/2 90	200	106 1/2	107 1/2	+ 0 1/2	11.10
Export Dev Corp 12 1/2 90	100	106 1/2	107 1/2	+ 0 1/2	11.10
Export Dev Corp 12 1/2 89	100	106 1/2	107 1/2	+ 0 1/2	11.10
Export Dev Corp 12 1/2 87	100	106 1/2	107 1/2	+ 0 1/2	11.10
Export Dev Corp 12 1/2 85	100	106 1/2	107 1/2	+ 0 1/2	11.10
Export Dev Corp 12 1/2 83	100	106 1/2	107 1/2	+ 0 1/2	11.10
Export Dev Corp 12 1/2 81	100	106 1/2	107 1/2	+ 0 1/2	11.10
Export Dev Corp 12 1/2 79	100	106 1/2	107 1/2	+ 0 1/2	11.10
Export Dev Corp 12 1/2 77	100	106 1/2	107 1/2	+ 0 1/2	11.10
Export Dev Corp 12 1/2 75	100	106 1/2	107 1/2	+ 0 1/2	11.10
Export Dev Corp 12 1/2 73	100	106 1/2	107 1/2	+ 0 1/2	11.10
Export Dev Corp 12 1/2 71	100	106 1/2	107 1/2	+ 0 1/2	11.10
Export Dev Corp 12 1/2 69	100	106 1/2	107 1/2	+ 0 1/2	11.10
Export Dev Corp 12 1/2 67	100	106 1/2	107 1/2	+ 0 1/2	11.10
Export Dev Corp 12 1/2 65	100	106 1/2	107 1/2	+ 0 1/2	11.10
Export Dev Corp 12 1/2 63	100	106 1/2	107 1/2	+ 0 1/2	11.10
Export Dev Corp 12 1/2 61	100	106 1/2	107 1/2	+ 0 1/2	11.10
Export Dev Corp 12 1/2 59	100	106 1/2	107 1/2	+ 0 1/2	11.10
Export Dev Corp 12 1/2 57	100	106 1/2	107 1/2	+ 0 1/2	11.10
Export Dev Corp 12 1/2 55	100	106 1/2	107 1/2	+ 0 1/2	11.10
Export Dev Corp 12 1/2 53	100	106 1/2	107 1/2	+ 0 1/2	11.10
Export Dev Corp 12 1/2 51	100	106 1/2	107 1/2	+ 0 1/2	11.10
Export Dev Corp 12 1/2 49	100	106 1/2	107 1/2	+ 0 1/2	11.10
Export Dev Corp 12 1/2 47	100	106 1/2	107 1/2	+ 0 1/2	11.10
Export Dev Corp 12 1/2 45	100	106 1/2	107 1/2	+ 0 1/2	11.10
Export Dev Corp 12 1/2 43	100	106 1/2	107 1/2	+ 0 1/2	11.10
Export Dev Corp 12 1/2 41	100	106 1/2	107 1/2	+ 0 1/2	11.10
Export Dev Corp 12 1/2 39	100	106 1/2	107 1/2	+ 0 1/2	11.10
Export Dev Corp 12 1/2 37	100	106 1/2	107 1/2	+ 0 1/2	11.10
Export Dev Corp 12 1/2 35	100	106 1/2	107 1/2	+ 0 1/2	11.10
Export Dev Corp 12 1/2 33	100	106 1/2	107 1/2	+ 0 1/2	11.10
Export Dev Corp 12 1/2 31	100	106 1/2	107 1/2	+ 0 1/2	11.10
Export Dev Corp 12 1/2 29	100	106 1/2	107 1/2	+ 0 1/2	11.10
Export Dev Corp 12 1/2 27	100	106 1/2	107 1/2	+ 0 1/2	11.10
Export Dev Corp 12 1/2 25	100	106 1/2	107 1/2	+ 0 1/2	11.10
Export Dev Corp 12 1/2 23	100	106 1/2	107 1/2	+ 0 1/2	11.10
Export Dev Corp 12 1/2 21	100	106 1/2	107 1/2	+ 0 1/2	11.10
Export Dev Corp 12 1/2 19	100	106 1/2	107 1/2	+ 0 1/2	11.10
Export Dev Corp 12 1/2 17	100	106 1/2	107 1/2	+ 0 1/2	11.10
Export Dev Corp 12 1/2 15	100	106 1/2	107 1/2	+ 0 1/2	11.10
Export Dev Corp 12 1/2 13	100	106 1/2	107 1/2	+ 0 1/2	11.10
Export Dev Corp 12 1/2 11	100	106 1/2	107 1/2	+ 0 1/2	11.10
Export Dev Corp 12 1/2 9	100	106 1/2	107 1/2	+ 0 1/2	11.10
Export Dev Corp 12 1/2 7	100	106 1/2	107 1/2	+ 0 1/2	11.10
Export Dev Corp 12 1/2 5	100	106 1/2	107 1/2	+ 0 1/2	11.10
Export Dev Corp 12 1/2 3	100	106 1/2	107 1/2	+ 0 1/2	11.10
Export Dev Corp 12 1/2 1	100	106 1/2	107 1/2	+ 0 1/2	11.10

SWISS FRANC STRAIGHTS		Change on day			
Issued	Bid	Offer	day	week	Yield
Toshiba Corporation 2/2000					
100	107 1/2	108 1/2	0	0	10.60
Nippon Oil Co 2 1/2 92 SF					
100	107 1/2	108 1/2	0	0	10.60
Asahi Chemical Co 2 1/2 SF					
100	107 1/2	108 1/2	0	0	10.60
Sanyo Paper 2 1/2 SF					
100	107 1/2	108 1/2	0	0	10.60
Sanyo Paper 2 1/2 SF					
100	107 1/2	108 1/2	0	0	10.60
Sanyo Paper 2 1/2 SF					
100	107 1/2	108 1/2	0	0	10.60
Sanyo Paper 2 1/2 SF					
100	107 1/2	108 1/2	0	0	10.60
Sanyo Paper 2 1/2 SF					
100	107 1/2	108 1/2	0	0	10.60
Sanyo Paper 2 1/2 SF					
100	107 1/2	108 1/2	0	0	10.60
Sanyo Paper 2 1/2 SF					
100	107 1/2	108 1/2	0	0	10.60
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Sanyo Paper 2 1/2 SF					
100	107 1/2	108 1/2	0	0	10.60
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100	107 1/2	108 1/2	0	0	10.60
Sanyo Paper 2 1/2 SF					
100	107 1/2	108 1/2	0	0	10.60
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Sanyo Paper 2 1/2 SF					
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Sanyo Paper 2 1/2 SF					
100	107 1/2	108 1/2	0	0	10.60
Sany					

UK COMPANY NEWS

Boots advances 15% to £190m

Boots, pharmaceuticals and consumer products group, raised pre-tax profits by 15 per cent from £168.1m to £190.3m in the year to March 31 1985—some 25m higher than market estimates. Turnover, excluding VAT, was 11 per cent higher at £2.03bn, against £1.83bn.

The second-half result of £110.4m, comfortably exceeded the £79.9m (£55.1m) made in the first six months. At the interim stage, the group predicted a continuing improvement, but cautioned that the rate of increase was likely to be less than the 23 per cent achieved in the first half.

Mr Robert Gunn, the recently appointed chairman, says investment, already at record levels, will continue to increase over the next two years. Overall, he is confident that the group will make further progress.

Pre-tax profits included a reduced surplus of £8.9m (£16.5m) on the disposal of properties, but higher net interest received and unallocated items of £8.5m (£5.6m). Share of related companies' losses was £0.4m (£1.8m profits).

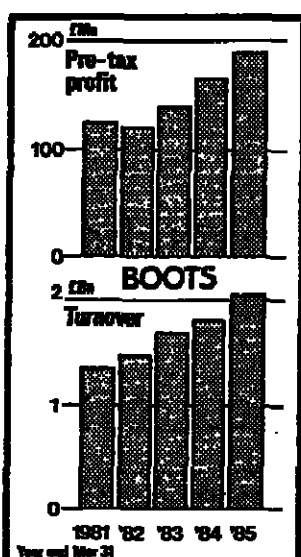
Tax charge increased from £59.5m to £76.6m. Extraordinary credits totalled £21.2m (£23.9m) and comprised £13.4m (£12.8m) profits on disposing of surplus houseware premises and £11.8m (£11.4m) for overseas investments—less tax of £4m (£2.5m). Last year's figure also included a £13.6m surplus arising from a related company.

The retail division had another successful year, with profits up from £82.7m to £108.7m. Mr Gunn says this side will continue to improve store design and merchandise ranges to ensure another good year.

Despite the ending of the U.S. buyproven royalty and another substantial increase in research spending, the industrial division is expected to achieve further growth. Profits in 1984-85 from this side were £4.1m higher at £84.

With stated yearly earnings per share ahead from 14.4p to 15.5p before extraordinary items, the dividend total is raised by 0.7p to 6.2p net with a final of 4p.

The prescription pharmaceuticals business had a successful year overseas. Boots Pharmaceuticals Inc. increased dollar sales by 29 per cent in spite of the price reduction on the group's anti-rheumatic, Rufen, to meet



competition, halfway through the year. Hospital products in the UK encountered severe price competition.

Consumer products had a mixed year. Good sales increases from health care products, including over-the-counter brands

of ibuprofen in the UK and U.S. helped to counterbalance trading difficulties in Kenya and Nigeria.

In the UK, Boots the Chemists increased sales by 7.4 per cent—over half of which was real growth—and profits by 23.3 per cent.

However, the results of this year and last have been distorted by DHSS reviews of labour and overhead costs in 1985 and discounts in 1984. After adjusting for these items sales increased by 6.5 per cent and profits by 13.8 per cent.

In Canada, the group achieved a further substantial improvement in profit and in France it continued the accelerated development of the Sephora chain.

Results of overseas companies are now translated into sterling on an average exchange rate basis, weighed by the actual results of each month, whereas previously the closing rate method was used. Comparative results have not been restated as no significant distortion arises from the change.

The shares closed 1p higher at 194p.

See Lex

IBL offer price gives market value of £100m

IBL, one of the UK's largest computer leasing companies, is being valued at just over £100m in an offer for sale prior to its Stock Exchange debut, which will be in about two weeks' time.

The prospectus is published today of an offer for sale being handled by Barclays Merchant Bank of a total of 18,228,572 shares at 140p each.

In market value terms the offer puts IBL comfortably into second spot for UK quoted computer leasing companies behind Atlantic Computers, which is worth £150m at last night's closing price of 380p, unchanged on the day.

Mr Philip Consens, IBL's chairman and managing director, and Mr John Henderson, deputy managing director, are collectively selling 7.5m shares. The total offer represents 26.4 per cent of IBL's enlarged share capital.

IBL, which generates most of its money from financing and distribution of IBM mainframe computers and peripherals, was formed in 1977 by a team of executives from the European leasing subsidiaries of the U.S. conglomerate, Tiger International.

Turnover has surged from £14.4m in 1979-80 to £153.2m in calendar 1984, which produced a pre-tax profit of £7.5m as the company started to reap the benefit of the expansion of its office network into 15 countries, including the U.S. in 1983.

Around 24 per cent of last year's turnover stemmed from the UK, the third largest IBM market in Europe, and 36 per cent from West Germany and France, combined respectively the first and second largest markets.

A number of U.S. companies (Amoco, Chevron, Esso, Mobil and Texaco) feature among IBL's list of major UK customers which also includes Boots, British Rail, Philips, Sony and Legal & General.

IBL says that 1985 has seen a continuation of the growth experienced in 1984 with an increase in demand for its services in virtually all geographical regions.

With the strengthening of IBL's capital base from £8.5m to £23.1m following the offer and the additional cash resources, they look forward to continued growth in all of the company's markets.

They intend to increase equipment leasing activities due to the demand that expanding customer base is expected to create.

On a historic basis, IBL is coming to the market with a p.e. of 14.7, based on an actual tax charge of 23.5 per cent, and a notional yield of 1.2 per cent.

Application lists for the offer will close on June 6 at 10 am and dealings are expected to start on June 12. Brokers to the issue are Rowe and Pitman.

See Lex

Computer losses in U.S. peg Extel's growth rate



Mr Alan Brooker

WITH ALL but one of its operations showing improvements Extel, the communications group, achieved record profits for the eighth successive year in 1984-85.

At the pre-tax level they pushed ahead from £10.61m to £10.9m and underlying their confidence in the future, the directors are raising the final dividend by 0.75p to 5.25p, making a total of 6.75p, a 12.5 per cent increase over last year's 6p equivalent.

Mr Alan Brooker, the chairman and chief executive, tells shareholders that although the results were marred by the performance of Digital Microsystems, the group's computer manufacturing company in the U.S.

The offshoot incurred trading losses in the U.S. although Mr Brooker says the setback there has been contained. In the UK the computer company made sound progress and a good profit. For 12 months to end-March 1985 group turnover, including total advertising billings, was up from £149.48m to £152.51m.

Profits before interest and activity show sporting and financial services 64 per cent ahead at £6.75m, printing 22 per cent higher at £2.51m, advertising and public relations 78 per cent up at £1.72m and publishing 51 per cent better at £2.66m.

Computer systems incurred a loss of £1.85m.

Interest charges accounted for £882,000 (£888,000) and tax for £4.63m (£4.71m). Minorities took £18,000 (£407,000).

Attributable profits emerged at £4.5m (£324,000) after deducting extraordinary debits of £1.51m (£4.48m) and preference dividend payments.

Earnings per share were 12.5 per cent higher at 17.0p (15.0p) on the capital increased by last year's one-for-one scrip.

Extel completed the purchase

of Digital Microsystems last June by buying the 40 per cent it did not own. Mr Brooker says the company was in difficulties and the losses—though even now not disclosed—must be fairly apportioned to judgment by the £4m collapse in dividend profits to a £1.85m loss. Fortunately all other parts of the Extel empire achieved solid gains.

Extel's major area of trading is the U.S. where the company has been successful in reaching expectations and despite prompt remedial action over-extended stock levels and write-offs have been reduced to a minimum.

Shareholders are told that production in the U.S. has now been closed and all the vital development work for the future is being undertaken in the UK. The business in the U.S. has been reduced to a sales and customer service unit only.

The group's budgets for sales and profits for Digital Microsystems worldwide in the current year show "healthy improvements."

Referring to other activities Mr Brooker says in terms of

profit improvement pride of place must go to the Royal Advertising group, where profits were better than ever and nearly doubled. Careful planning, strong selling and improved creativity each played their part here.

Burrows Printing had "superb" turnover and profit figures and computerised links with the U.S. helped the company improve its position as the leading financial printer.

Extel's racing news service and general sports service both improved their results and the financial and business services operations again extended their range.

In publishing, the group's newest major area of trading, Reuters, again exceeded expectations. Since its acquisition two years ago the company has more than doubled its profits.

comment

Extel had warned the market at the interim stage that the U.S. computer manufacturing company was in difficulties and the losses—though even now not disclosed—must be fairly apportioned to judgment by the £4m collapse in dividend profits to a £1.85m loss. Fortunately all other parts of the Extel empire achieved solid gains.

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Buoyant unit trust sales lift M & G profits

BUOYANT UNIT trust sales in the six months to March 31 1985 enabled M & G Group, one of Britain's largest unit trust groups, to show a near 24 per cent pre-tax profit rise from £3.01m to £3.74m at the interim stage. Attributable earnings rose by 28 per cent from £1.72m to £2.2m.

The interim dividend is lifted by a fifth from an adjusted 5p to 6p. Mr Andrew Caldecott, the chairman, forecasts a final dividend of not less than last year's final of 7.5p adjusted, unless there is a material adverse change in circumstances.

The triple promotion of three long-established trusts during the period—the Dividend, Recovery and Second General, contributed strongly to overall unit trust sales in the period of £2.1m, compared with £1.6m in the first half of the previous year and £45.3m for the whole of last year. This resulted in a 27 per

cent growth in unit trust revenue, charges and box profits, from £3.36m to £4.09m.

However, M & G has written off these promotional costs, to marketing and commission costs jumped 60 per cent from £1.65m to £2.65m and administration costs climbed 25 per cent from £1.99m to £2.5m. This left the operating profit on unit trust operations some 9 per cent higher at £2.96m (£2.72m).

Interest and investment income rose sharply from £295,000 to £777,000, reflecting a switch in part of the reserves and shareholders' funds from equities to gilt.

The group does not include the results or profit contribution from its assurance activities in the interim figures. Nevertheless, the new business figures for the period reflect the progress made in this sector. New annual premiums advanced 60 per cent from £5.2m to £8.3m,

while single premium business almost doubled from £20.6m to £38.9m.

These figures were boosted by the pre-Budget boom in pensions business on fears, proved groundless, that the Chancellor of the Exchequer was about to change the tax structure of pensions.

There has been a rise of over 300 in new agency agreements with independent intermediaries during the period.

Unit trusts in the group at the end of March amounted to £1.79bn, while assurance and friendly society funds amounted to £570m and investment trust and offshore funds reached £135m. On a combined basis the rise in the number of unit trust savings plans from 13,867 to 22,115 in the period.

comment

M & G's interim figures are a

shade disappointing. Profits from the unit trust activities were only up 10 per cent, growth being held back by heavy promotional expenses. The target 30 per cent growth was only maintained by the surge in investment income following last year's move to switch around a fifth of the investment from equities to gilts.

Nevertheless, the second half is normally quieter for promotion and unit trust profits should pick up—unless of course there is a bear market—while profits from the assurance operations, excluded at the interim, should reflect the current buoyancy in the life assurance and pensions field. So investors can look forward to 20 per cent earnings growth to £5.6m net, with a dividend increase to match in line with the group's strategy. However such growth would appear to be fully discounted in the share price, unchanged at 67p, giving a prospective 22 p/e.

Low margin trade pulls down Richards

Accepting volume business at the expense of margins has made inroads into the profit of Richards, spinner of high technology yarns, in the half year ended March 31 1985, and pre-tax the balance has fallen from £208,000 to £92,000.

But the second half is expected to produce at least the same £290,000 as earned in the corresponding period. The directors are holding the interim dividend at 0.5p net and, barring unforeseen circumstances, will pay an unchanged 0.85p final.

The directors say the volume business was taken while they waited for the build up of sales of new yarn ranges. The last three months have seen a "marked increase" in sales of these new products.

Turnover in the past half year showed little change at £8.65m (£8.52m). After tax £39,000 (£39,000) the net profit comes to £55,000 (£108,000), for earnings of 0.43p (0.89p) per share.

Evered making £25m cash call

BY TERRY POVEY

Evered, the Guildford-based engineering group, has announced plans for a one-for-two rights issue to raise £24.6m after expenses. The 12.18m new shares are priced at 210p.

In addition, to the rights, the company is offering to purchase the outstanding preference shares and debenture stock in Brookhouse, the Midlands engineering group acquired for almost £11m in April 1984. This move is aimed at reducing the cost of administering the group's preference and debenture liabilities. For every 20 Brookhouse preference shares 15 new preference shares in Evered are being offered and for every £100 of Brookhouse debentures plus a 10p payment to cover accrued interest.

The Abdullah brothers, who run Evered, are committed to further expansion of the group business—principally through acquisitions. Growth at the group has been rapid—from a

turnover of £11.8m in 1980 to £53.4m in 1984; in the same period pre-tax profits have moved up to £3.44m from the losses made in the first two years of this decade. Rashid and Osman Abdullah joined Evered in 1981.

On dividends the directors are forecasting a total of 3p for 1985, against 2.3p for last year, of which the final will not be less than 2p.

Merchant bankers Robert Fleming are underwriting the issue and Hoare Govett are acting as brokers.

comment

The rapid growth of Evered under the reforming Abdullah management has clearly warmed the heart of the market to the group's cash call. Far from marking the company down, yesterday's rights announcement saw the shares rise 10p to 264p. The revenues from the rights are most likely to be employed

in an acquisition some time later this year—no doubt of a manufacturing company in the light engineering sector whose management has tired of the struggle to achieve decent returns. The price tag on the purchase could be as much as £30m although more than one target could be bid for. The Abdullahs have proved themselves capable of making money in the very areas many see as dull—forging and casting, for example—and the brothers will certainly be keen to apply their tight cash control techniques to any new purchase. For 1985 the market is looking for ex-rights pre-tax profits of £7m which has the shares trading on a prospective multiple of 16 (25 per cent tax charge). Comparable companies, such as Williams Holdings and P. H. Tomkins suggest that the market has the right kind of target came in view.

JOHNSTON GROUP PLC

Manufacturers of road suction cleaners and hydraulic equipment, civil engineering, building and road maintenance, manufacturers of concrete and g.r.p. pipes and roadstone

- * Profit before tax within the range forecast.
- * Net asset value per ordinary share uplifted by 23%.
- * Further dividend increase.
- * Continuing emphasis on research and development to enhance and extend product ranges and reduce operating costs.

"The directors remain confident in the underlying strength of the Group and in the absence of unforeseen circumstances anticipate a significant improvement in results for 1985."

Financial highlights	1984 £000	1983 £000	1982 £000
Turnover	58,376	60,191	53,067
Profit before tax	4,461	5,903	6,272
Profit attributable to shareholders	3,227	3,194	3,299
Earnings per ordinary share	31.26p	30.94p	31.99p
Dividend per ordinary share	7.00p	6.50p	6.00p
Net asset value per ordinary share	257.05p	208.78p	184.28p

Copies of the Annual Report and Accounts may be obtained from the Secretary, Johnston House, Hatchlands Road, Redhill, Surrey RH1 1BG.



Alfred Booth & Company, p.l.c.

"A satisfactory result...as we adapt to changing markets."

Richard H. Amis, Chairman

Financial Highlights

	1984 £000's	1983 £000's
Turnover	61,800	56,037
Profit before Taxation	2,355	2,547
Shareholders' Funds	11,848	10,032
Earnings per Share	374.53p	418.12p

Copies of the Annual Report for the year to 31st December, 1984 are available from:

The Secretary, Alfred Booth & Company, p.l.c., 34 St. James's Street, London SW1A 1JA.

The Alfred Booth Group includes

Unit Construction Company Limited
Booth Concrete Limited
Booth Mechanical Services Limited

NOTICE TO LOMBARD DEPOSITORS

Interest for deposits up to £100,000	Interest for deposits over £100,000	Gross equivalent to basic rate (see page 1)
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14 Days Notice

Minimum deposit is £2,500

12% _{pa}	9.53% _{pa}	13.61% _{pa}
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Cheque Savings Accounts

When the balance is £2,500 and over

12% _{pa}	9.15% _{pa}	13.08% _{pa}
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When the balance is £250 to £2,500

10% _{pa}	7.66% _{pa}	10.94% _{pa}
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Interest is credited on each published rate change, but not less than half yearly.

Lombard
North Central

17 Bruton St, London W1A 3DH.

BOOSEY & HAWKES PLC

The result of the poll taken at the Annual General Meeting held on 23rd May 1985 at The Portman Inter-Continental Hotel was as follows:

2,298,990 votes in favour, representing 49.35% of eligible voting rights.

990,406 votes against, representing 21.26% of eligible voting rights.

The Resolution was therefore carried.

Copies of the Annual Report are available from the Secretary, Boosey & Hawkes plc, 295 Regent Street, London W1.

Granville & Co. Limited

Member of The National Association of Security Dealers and Investment Managers

8 Lutat Lane London EC3R 8DT Telephone 01-621 1212

Over-the-Counter Market

High	Low	Company	Price	Change	Gross	Yield	P/E	Fully
146	129	Ass. Brit. Ind. Ord.	146	—	8.6	4.3	8.1	8.6
151	135	Ass. Brit. Ind. CUL	151	—	10.0	8.8	—	—
64	28	Ainsprug Group	64	—	4.5	4.7	4.3	4.5
77	51	Amalgam & Rhodes	77	—	2.9	7.8	6.0	7.1
191	108	Barton Hill	191	—	3.9	7.0	6.8	7.9
68	42	Bray Technologies	68	—	3.4	2.3	16.2	25.3
20	161	CCL Ordinary	20	—	12.0	7.0	6.8	7.9
182	110	CCL Visc. Gen. Pte.	182	—	15.7	13.8	—	—
120	10	Carborundum Ord.	120	—	10.7	4.3	6.7	8.8
327	182	Carborundum 7.50p Pte.	327	—	6.5	14.1	4.4	7.1
288	170	Frank Horrell Services	288	—	8.8	3.7	10.4	13.7
62	32	Frederick Parker	62	—	2.7	1.7	3.8	7.7
58	29	Ind. Precision Castings	58	—	2.1	1.7	3.8	7.7
218	180	Isla Group	218	—	15.0	6.3	6.8	6.8
124	101	Jackson Group	124	—	4.5	4.7	4.3	4.5
285	213	James Burrough	285	—	12.7	5.8	8.3	8.3
53	83	John Howard & Co.	53	—	4.0	5.4	7.4	11.2
225	100	Linguaphone Ord.	225	—	16.0	12.3	—	—
100	83	Linguaphone 10.50p Pte.	100	—	6.9	1.2	27	25.9
62	30	Minhouse Holding NV	62	—	5.0	8.2	—	—
60	28	Scruttons "A"	60	—	16.8	17.8	4.1	4.1
442	37	Torrey & Carlisle	442	—	4.3	1.3	18.8	17.3
107	81	Unilock Holdings	107	—	1.3	4.3	14.8	21.0
247	210	W. S. Yates	247	—	17.4	7.8	12.4	12.4

Prices and details of services now available on Prestel, page 48146

UK COMPANY NEWS

Portsmouth
Sunderland
profit up

WITH announcement of the results for the year ended March 30 1985, which show a near £800,000 improvement in profit, the Portsmouth and Sunderland Newspapers group reveals a scheme which will enable the controlling family shareholders to raise money from the business without diluting their interest.

This will be effected by issuing a new class of 15m 10.5 per cent second cumulative £1 preference shares as a scrip issue to ordinary holders registered June 3, on the basis of one preference share for every eight ordinary.

Ordinary shareholders faced with significant increases in their capital tax liabilities because of the rise in the share price over the years, could sell the preference shares to meet those, and so avoid significant sales of ordinary shares which might prejudice the long term development of the company.

Profit for the year came to £2.77m, compared with the depressed £2.12m of 1984. This time there is a tax charge of £1.48m (credit £418,000) which leaves the earnings halved to 10.7p (51p). The dividend is again 4p net, the final being 3p.

Turnover expanded by £5.58m to £43.52m.

● **comment**

The two strikes at Portsmouth and Sunderland newspapers last year seem to have had no effect on profits at all—production continued during the NUJ strike, and the savings on the journalists' wage bill more than offset the costs of the NGA stoppage earlier in the year. Much of the encouraging increase in profits stemmed from a £300,000 turnaround from loss to profit at the News Shops, and from interest savings on the £3.2m proceeds from the Reuters sale. Circulation is still 4 per cent short of the levels before last year's cover price increase, but the gap is expected to close in the next six months. Advertising volume is encouraging despite competition from free newspapers and is up nearly five per cent so far this year. The company at year end had no borrowings (£7.2m last year), since when it has invested £500,000 in Eddie Shaw's newspaper project and has made a move into cable television with a £500,000 investment in Croydon Cable. Jesse Ward investments is taking a discouragingly long time to respond to rationalisation, and is not likely to contribute significantly until 1987. If the company makes £3.5m this year, and assuming a lower tax charge of 40 per cent, the share at 142p are trading on a p/e of 17.8.

Hunter Saphir hit by
'exceptional causes'

LOWER REVENUE from farms and foods, coupled with the adverse winter and the dramatic decline of sterling against the dollar, have hit the profits of Hunter Saphir in the year ended February 28 1985.

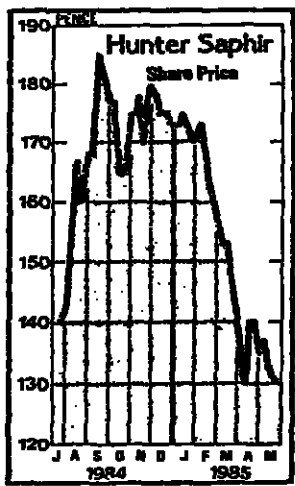
The group is engaged in food and food distribution, with Marks & Spencer and J. Sainsbury being its two major customers. In the first half its profits were held at £963,000 and the directors anticipated a satisfactory outcome in the second half if produced only £203,000, thereby reducing the year's total from £1.52m to £1.17m.

Turnover rose only £1.36m to £84.8m, being significantly affected by the strength of the dollar against sterling in the latter part of the period, the directors explain. Hunter Produce was particularly hit.

As to the current year, they said it too early to make a forecast but expect a return to the encouraging level of profit indicated by the previous trend, particularly during the second half.

They are satisfied that the causes of the poorer results were exceptional, and that they can look to the future with every confidence.

Although the farm at Boughdon, Kent, which is intended to demonstrate modern techniques



in growing, has never been envisaged as a significant profit base, the directors say the year's results were disappointing. However, they expect an improvement in the current year.

In spite of some "excellent new lines" the food side (packaging and manufacture) has not moved continuously into profit, but confidence in this sector

remained high. In distribution, Storelink continued to perform well, but there were start-up problems at Northfleet. Canterbury is now closed and new Storeway at Northfleet is operating at full efficiency.

Storefresh at London Colney is gradually being changed to the group's pattern of operation, but it is not expected that significant profits will emerge until the second half. Portway International performed well.

After tax £423,000 (£542,000) the net profit of the group, which was introduced to the USM a year ago, came to £743,000 (£881,000) and earnings are stated at 4.98p (7.08p). The dividend is raised to 1.75p net, compared with 1.59p, with a final of 1.00p. There are extraordinary debits £225,000 (£853,000).

The directors' view of the current year takes into account the exceptional problems experienced in the last quarter of 1984-85, the current trend of business and the development of the Storeway and Storefresh depots.

At Hunter Produce the first two months were satisfactory. Sales of imported produce have been buoyant, although the company's substantial business in UK vegetables is not expected to recover until May.

Hawtin held back halftime

FLUCTUATIONS in the value of sterling and correspondingly high interest rates in the protective clothing division, where prices of Far East imports have hit margins, have led to a reduction of £10,000 to £495,000 in pre-tax profits of Hawtin for the six months ended March 31 1985.

Turnover has risen by £1.96m to £10.18m, including results from Manor Brick (Holdings), acquired in November, and Gul West Suits, purchased in March 1984.

The directors point out that the second half is traditionally the more profitable for the manufacturing subsidiaries, which provide the major part of the group's profits and where the current outlook is buoyant.

Other divisions should provide a higher contribution than in the period under review, they state. Total profit for the previous year was almost £1.08m, and included £108,000 attributable to Gul West Suits. A single dividend of 0.375p net was paid.

The companies engaged in manufacture—this covers specialised knitted fabrics, wet suits, industrial gloves and clothing—

maintained their profitability and the programme for the move to new premises in both companies is in progress. Profits from the subsidiaries involved in distribution include a "modest contribution" from Manor Brick.

The half year profit was struck after interest charges of £163,000 (£114,000). Tax takes £165,000 (£130,000) and minorities loss £2,000 (nil), leaving the attributable profit at £332,000 (£375,000) for earnings of 0.64p (0.69p) per 5p share.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div.	Total for year	Total last year
Anglo-Indonesian	5	July 31	3	7	4
A & P Appledore	2	Aug 22	—	—	0.45
Boots	4	July 25	3.5	8.2	5.3
Davenports Brewery	3.6	July 2	3.6	—	9
Edbro (Holdings)	4.5	Aug 6	4	6.5	6
Extel	5.25	—	4.5*	6.75	6
Hunter Saphir	1.05p	—	1.13	1.75	1.50
Jermyn Investment	1.63	Oct 1	1.63	1.63	1.63
Lep Group	3.25	July 17	2.7	4.5	3.5
M & G Group	5	July 2	8*	—	12.5*
Portsmouth & Sunderland	5	July 29	3	4	4
Richards	0.5	June 20	0.5	—	1.45
TR North America	2.65	July 16	2.4	3.65	3.4
United Computer	2.25p	—	1.98p	2.25p	1.98p
Western Brothers	1	—	Nil	1	Nil

Dividends shown pence per share net except where otherwise stated.

* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock.

§ Unquoted stock. ¶ Including a special payment of 0.75p.

|| Including a special payment of 0.71p.

Profitable growth maintained

● Group Sales exceed £2bn. ● Profit before tax increased by 15.3%

Retail

● Boots The Chemists benefited from its successful marketing strategy, increased consumer spending and high customer traffic.

● Customers satisfied by excellent service and high quality merchandise at competitive prices, with emphasis on own brands.

● Improved appeal of largest branches through exciting store design and introduction of new, specialist shops within shops.

● Continued to invest substantially in Boots Stores to maintain leading position in traditional areas and to expand position in newer businesses.

● Traded profitably in Canada.

Results for the year ended 31st March, 1985.

	1985 £m	1984 £m	% increase
Turnover (excluding VAT)	2,033.1	1,832.8	+10.9
Profit on ordinary activities before taxation	190.3	165.1	+15.3
Taxation	(76.6)	(59.8)	—
Profit after taxation	113.7	105.3	+8.0
Minority interests	(1.0)	(0.9)	—
Extraordinary profit after taxation	112.7	104.4	+8.0
Profit for the financial year attributable to shareholders	21.2	23.9	—
Dividends	133.9	128.3	—
Profit retained	(45.2)	(40.0)	—
Earnings per share before taxation	88.7	88.3	—
Earnings per share after taxation	25.8p	22.4p	—
	15.5p	14.4p	—

	Turnover £m	Profit £m	Turnover £m	Profit £m
Industrial Division	383.0	64.6	336.9	60.5
Share of results of related companies		(0.4)		1.8
		64.2		62.3
Retail Division	1,758.9	108.7	1,603.1	82.7
Surplus on disposal of properties		8.9		16.5
		117.6		99.2
Interdivisional	(108.8)	—	(107.2)	—
Net interest and unallocated items	—	8.5	—	3.6
	2,033.1	190.3	1,832.8	165.1

The above figures do not constitute a full financial statement. Copies of the Report and Accounts for 1984/5 will be posted to shareholders on 27th June.



The Boots Company PLC

The Boots Company PLC, Nottingham NG2 3AA

Industrial

● The research department received The Queen's Award for Technological Achievement for discovery and development of ibuprofen, the world's 7th largest-selling pharmaceutical product.

● Our U.S. company continues to expand in a fiercely competitive market.

● Expenditure on intensive research programmes has increased.

● Over-the-counter launch of ibuprofen (as 'Nurofen' in the UK and 'Advil' in the USA) has been highly successful. We aim to launch the product in all major markets.

● Continued success in expanding UK health care product sales.



1985

Extel GROUP

HIGHER EARNINGS - HIGHER DIVIDENDS

	1985 £000	1984 £000
Year to 31st March		
Turnover	182,506	149,488
Profit before taxation	10,896	10,611
Earnings per share	17.6p	15.6p
Dividends per share	6.75p	6.0p

The 1985 figures are extracted from the Company's accounts which received an unqualified report from the auditors and which will be filed with the registrar of companies.

■ Earnings per share up by 12.8%

■ Dividends up by 12.5%

Outstandingly good results from:

Royds Advertising Group
Burrups Printing Group
Sporting and Financial Services
Benn Brothers - publishing

Digital Microsystems:

US setback contained
UK company made good profit

Alan Brooker, Chairman

Extel Group PLC

Extel House, East Harding Street, London EC4P 4HB.

ROHAN GROUP

Industrial and Commercial Developers,
Designers, Contractors and Investment Property Holders

RESULTS FOR THE YEAR ENDED 31st DECEMBER	1984 IRE	1983 IRE
Profit before taxation	3.3m	2.4m
Profit attributable to shareholders	4.7m	1.8m
Earnings per share -		
Before exceptional tax credit	43.19p	24.48p
Attributable to tax credit	23.98p	-
Dividends per share	12.75p	12.75p
Surplus/(Deficit) on revaluation of investment properties	(1.5m)	0.1m
Investment properties	25.1m	16.2m
Shareholders' funds	34.8m	23.5m
Net assets per share	278p	261p
Rent roll	2.5m	1.6m

"An awareness of the cyclical nature of our development business, linked to proven management and entrepreneurial skills, gives the Board the confidence for long term stability and growth." K. C. Rohan - Chairman

Copies of the Report and Accounts available from the Secretary

Rohan Group plc,

5 Mount Street Crescent, Dublin, 2, Ireland,
33 Cork Street, London, W1X 1HB.

IRELAND - UNITED KINGDOM - UNITED STATES OF AMERICA

ARAB LATIN AMERICAN BANK

U.S.\$40,000,000

FLOATING RATE CERTIFICATES OF DEPOSIT 1986

For the six months from 31st May to 29th November 1985 the Certificates will carry an interest rate of 8 1/2% per annum. The interest payable on the relevant interest payment date, 29th November 1985, will be U.S.\$21,328.12 per \$500,000 Certificate and U.S.\$10,664.06 per \$250,000 Certificate.

AGENT BANK

CHEMICAL BANK INTERNATIONAL LIMITED

Export Development Corporation

(An agent of Her Majesty in right of Canada)



Société pour l'expansion des exportations

(Mandatitaire de Sa Majesté du chef du Canada)

Eurodollar Treasury Note Programme

The undersigned is pleased to announce the commencement of this programme, for which it has been selected as joint manager.

Credit Suisse First Boston Limited

MAY 1985

UK COMPANY NEWS

Westland seeks white knight to block bid

BY LIONEL BARBER

WESTLAND, BRITAIN'S only helicopter manufacturer, is in talks with several potential white knights in an effort to block the £88m takeover bid by a City consortium, led by Mr Alan Bristow.

Sir Basil Blackwell, chairman, said yesterday that he was searching for an international partner, possibly American, which could help Westland overcome its present dearth of orders.

The view, emerging in the City last night, was that only a full-scale takeover could turn round Westland.

Westland's plight was revealed in a circular to shareholders which showed that interim pre-tax profits had slumped from £8.9m to £4.8m to the end of

last March. The helicopter and hovercraft division made a £92,000 loss, compared to a pre-tax profit of £4.57m, mainly because of interest charges on the £39m inventory of Westland 30s.

Sir Basil declined to name the potential partners, but Westland and its merchant bank advisers have sought out several major U.S. and UK companies with strong management and marketing expertise.

Sir Basil would like a 49 per cent stake to be taken in the company on the lines of the 48 per cent equivalent stake held by the U.S. Garrett Corporation in Westland's technologies division, Normalair-Garrett. "The problem is that this doesn't translate so easily into American," said Sir Basil.

According to the circular, Normalair-Garrett made a pre-tax profit of £5.23m, compared to last year's £4.54m.

Sir Basil blamed the setback in profits on the delays and uncertainties surrounding the order for 21 Westland 30s from the Indian Oil and Gas Commission and six more for VIP transport in India.

The Indian Prime Minister, Mr Rajiv Gandhi, has indicated to his Parliament that the order is unlikely to be completed. However Sir Basil said yesterday that he had received no such notice and that the contract was still "in limbo".

He added that he believed that the company could sell some 400 W30s between this year and the year 2000.

Phoenix Timber EGM convened

BY ALEXANDER NICOLL

Phoenix Timber Group yesterday set a July 1 date for an extraordinary shareholders meeting requisitioned by a dissident director, Mr Michael Hermann, who is seeking to bring three other men on the board.

In a letter to shareholders, Mr Dennis Cook, chairman, said the proposed directors and Mr Hermann taking control of the company without you being given the opportunity to consider a bid for your shares. "He urged shareholders to vote against the resolutions."

The three proposed directors, Mr Geoffrey Hoffman, Mr David Edelman and Mr Michael Teacher, have not satisfactorily explained to Phoenix the development plan which they have for the group, Mr Cook said.

He also disclosed that a series

of closures and disposals by Phoenix was continuing. "We have decided to give up the unequal struggle to gain a satisfactory share of the builders' merchants market into which the multiple DIY companies are further encroaching. Accordingly, Phoenix has agreed in principle to sell its subsidiary in this field—understood to be Redlake (Southern)."

Phoenix is also ending glue laminated manufacturing operations of RTE because of competition from imports. It will instead distribute German products of this type.

Mr Edelman said yesterday that these decisions were "an incredible admission of failure" by Phoenix. He said that he and his team-mates had explained to Phoenix how they felt the company would benefit from their appointment as directors.

The EGM requisitioned by shareholders holding more than 30 per cent of Phoenix equity. A row has developed, however, about a 12 per cent stake held by the E. S. Gourvitch Will Trust—Mr Gourvitch was a former chairman of the company. Mr Hermann and his wife are trustees of the trust.

Phoenix has sought, under section 74 of the Companies Act, to know the beneficial owners of the shares. But Mr Hermann has sought an exemption on the grounds that the owners are Soviet Jews, resident in the Soviet Union, whose lives could be endangered by disclosure of their identities.

Mr Cook said Phoenix had virtually completed the sale of surplus properties and that the going concern value of a number of subsidiaries exceeded their book values.

Unigroup's chairman resigns

BY LIONEL BARBER

MR STANLEY WOOLLIFF, formerly chairman and managing director of Unigroup and a one-time 25 per cent shareholder in the Leeds-based textile and apparel manufacturer, has resigned from the company.

Mr Woolliiff said yesterday that there had been differences within the Unigroup board on the future direction of the group and he had resigned to pursue other interests. He declined to comment on whether he would receive compensation or a service payment.

Earlier this month, Mr Woolliiff sold most of his (then) 14.6 per cent equity stake to two businessmen, Mr Maurice Miller

and Mr Ivor Goodman, and associates.

Mr Miller and Mr Goodman subsequently joined the board. Mr Miller has now been appointed chairman and Mrs G. Tate is to become director. Mr Woolliiff became chairman and managing director of the company—then known as UU Textiles—in 1981 following several years of losses.

He set about diversifying out of textiles and into other consumer products, notably a new Scandinavian-invented, serger system which subsequently failed to produce profits as quickly as expected.

Last March, Unigroup pro-

duced pre-tax profits of £37,100 against £25,600 for the six months to the end of 1984. However, the closure of a small chemical distribution company, acquired a year ago, meant a significant drop in profits. Unigroup had a year-end loss of £85,600.

Before Mr Woolliiff became chairman and managing director of Unigroup, he headed a Leeds clothing manufacturer, W. L. Pawsom. Although he succeeded in turning round the company temporarily into profit, he announced a large-scale expansionary plan and the company went into liquidation in early 1982.

John Perkins Meats offer gives Atlanta 25% holding

Atlanta Investment Trust, which was acquired by Mr Vasant Advani's Grovebell Group last December, has gained control of 25 per cent of John Perkins Meats, the Somerset-based butcher, which joined the USM yesterday via an offer for sale.

The offer of 3.4m shares by Satham Duff Sotop was subscribed only 3.1 times, and Atlanta which applied for 29.9 per cent of the company received 2.4m shares.

Satham is also broker to Grovebell Group.

Mr Intiaz Arian, treasurer of Grovebell, said yesterday: "We applied for the maximum and hoped for the best. I read the prospectus in great detail, and it looked like a stable and useful investment."

The shares opened at a 1p premium on the 41p offer price, and rose to a high of 46p when the announcement of the Atlanta stake was made.

Mr Arian and Mr Vasant Advani, chairman of Grovebell, will join the Perkins board as non-executive directors.

\$3.5m injection for Ion Beam Systems

Dubiller, the Oxfordshire-based manufacturer of electrical and electronic components, has announced agreement with a syndicate of investors for second-round funding of Ion Beam Systems (IBS).

IBS is the newly formed company which contains IBS Dubiller (formerly Dubiller Scientific) and Ion Beam Technologies of Boston, Mass.

Under the agreement, Citicorp Venture Capital, Alan Patriot Associates and The Charles River Partnership will inject \$3.5m into IBS in exchange for around 50 per cent of the capital. The management will be eligible for up to 15 per cent while Dubiller will hold the balance.

Mr Peter Cowell, formerly managing director and chief executive of Dubiller, has been appointed president and chief executive of IBS. He is to stay on as deputy chairman of Dubiller and will also act as a non-executive director.

Vickers

The Kuwait Investment Office yesterday disclosed that it held a 48 per cent stake in Vickers, the UK engineering company which manufactures Rolls-Royce cars and military tanks. This follows the announcement on Wednesday by Mr Saul Steinberg, the Wall Street financier, that he had sold his 6.8 per cent stake in the company. Vickers closed last night at 295p, down 2p on the day.

Hunting Gibson agrees to buy Hunting Group

Hunting Gibson, the ship-broking, computer services and property refurbishment group, has agreed in principle to buy the Hunting Group, a private investment company, in a deal which would amount to a reverse takeover.

The consideration would be the issue of approximately 13.9m Hunting Gibson ordinary shares compared to just 8.4m now in issue. The Hunting Group is already a substantial shareholder in Hunting Gibson, as well as in the related Hunting Petroleum. Dealings in Hunting Gibson shares were suspended yesterday at 105p, at the company's request. Hunting Gibson has been re-directing its businesses through-

out the past few years, discontinuing ship owning and management and trying to expand into financial services. It made £2.4m in 1983 on turnover of £14m, but in the first six months of 1984 profits totalled only £304,000, compared to £421,000 in 1983.

Erskine House has sold its subsidiaries PPR Security Group and Erskine Security to Securicor for £850,000 in cash. The companies which have been sold are engaged in cash transit and static guarding services. In the year to March 31 last they made a combined loss of £10,000 and at that date had net tangible liabilities of £122,000.

MINING NEWS

Whim Creek pushes ahead with plans to float Austwhim

BY GEORGE MILLING-STANLEY

THE AUSTRALIAN gold producer Whim Creek Consolidated plans to go ahead with the immediate development of the Cork Tree Well and Mount Morgans gold deposits near Laverton in Western Australia, according to Mr Pat Hughes, the chairman.

Mr Hughes told the annual meeting of Whim Creek, a member of Canada's Northgate Exploration group of companies, that this joint project will form the basis of the flotation later this year of Austwhim Resources. Austwhim is a new company designed to hold all of Whim Creek's exploration interests outside the Meekatharra area of Western Australia. The proposed \$250,000 flotation is expected from last year in view of the falling gold price and poor condition in the Australian share market.

Proven and probable reserves at Cork Tree Well are put at 1.3m tonnes of ore at an average grade of 2.67 grammes of gold per tonne, while Mount Morgans reserves total 828,000 tonnes at an average of 5.8 grammes.

The combined reserves will provide feed for a 250,000 tonnes a year carbon-in-pulp treatment plant to be built at Cork Tree Well. Construction costs are estimated at A\$7.5m (\$4m), and annual gold production should be around 25,000 ounces over a period of eight years.

Mr Hughes said Whim Creek was confident that further drilling at both properties would extend the life of the operations beyond 10 years.

Site works at Cork Tree Well are scheduled to start in the third quarter of this year, and the first production from the new mine is expected during the opening three months of 1986.

At the company's own gold operations at Meekatharra, production during 1984 was 31,390 ounces, an improvement of 38 per cent over the previous year—although not as high as had been envisaged earlier.

This year's output is estimated at 40,000 ounces, and Whim Creek is confident of meeting this target, Mr Hughes told the meeting.

An exploration programme along the six kilometre strike length of the Paddy's Flat deposit, north of the existing Phur Lap open pit, has identified 300,000 tonnes of proven and probable ore grading over 5 grammes of gold per tonne. Drilling is still in progress.

At Phur Lap itself, a drilling programme designed to test the deeper levels below the existing pit has shown that gold mineralisation extends at depth, although the grades are poorer than those currently being mined.

MINING NEWS IN BRIEF

Australia's Week's Petroleum, controlled by Mr Robert Holmes, has raised its stake in the U.S. Asarco to 3.14m shares, or 9.9 per cent, in recent purchases. As previously reported, Mr Holmes & Co. has obtained clearance from U.S. anti-trust regulators to raise his stake in Asarco to 50 per cent within 12 months.

Canada's Campbell Red Lake Mines, 56.9 per cent-owned by Dome Mines, is to embark on a C\$6.1m (\$3.5m) underground exploration programme at its Dona Lake gold property in Ontario where ore reserves of 1.3m short ton grading 6.22 oz (1.93g) gold per ton have been outlined. Only a slight increase in gold production from the company's existing mines is

expected, according to Mr Henry Ekhardt, the president, at the annual meeting.

The Venezuelan state-owned oil company, Petroleos de Venezuela, intends to go ahead with the \$700m (\$550m) Gusare-Cachiri coal project near the Colombian border in association with a minority foreign partner which has yet to be chosen. International groups interested in the 6.4m tonnes per year venture are reported to include British Petroleum and Shell.

LADBROKE INDEX
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Based on FT Index
Tel: 01-427 4411

A. G. Stanley Holdings p.l.c.

At the Annual General Meeting, the Chairman, Malcolm Stanley said:

"Buoyant trading in the last two months has compensated for the difficult conditions caused by the bad weather in January-February and I am confident that the group will make further progress in the current year."

In the past financial year to December 1984, the group achieved near-treble taxable profits of £1.8 million.

The profits performance was due to four main factors:—

- Closure of unprofitable stores
- Reduction in costs
- Improvement in gross margins
- Return to profitability at the group's wallcovering mill

	1984	1983
Turnover	£56m	£55m
Pre-tax profit	£1.8m	£0.6m
Earnings per share	3.45p	1.73p
Dividends per share	2.5p	1.5p

A copy of the report and accounts can be obtained from: The Secretary, Victoria Mills, Macclesfield Road, Holmes Chapel, Crewe, Cheshire CW4 7PA.

FADS

ANNUAL RESULTS 1984

I & J HYMAN PLC

Continued Progress

Summary of Results Year to 31 December

	1984 £000	1983 £000	% Increase
Turnover	33,736	32,650	+3.33%
Profit on ordinary activities before taxation	1,624	891	+82.27%

Earnings per Ordinary stock unit	4.24p	3.37p	+25.82%
Dividend per Ordinary stock unit	1.50p	0.50p	+200%

The Chairman, Peter Buckley, reports:

- * Continued progress made during 1984 with pre-tax profits up 82.27 per cent.
- * Increased efficiency and sales in the foam division and expansion of the frozen fast food operations contributed to the better results.
- * First quarter indications are that the company will continue to move forward.



I & J Hyman PLC,
Hollyville, Holmfirth Road,
Greenfield,
Oldham OL3 7DR

Export Development Corporation

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Société pour l'expansion des exportations

(Mandatitaire de Sa Majesté du chef du Canada)

Eurodollar Treasury Note Programme

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Swiss Bank Corporation International Limited

MAY 1985

Reorganisation benefits behind £4.6m surge at Lep

EXTENSIVE reorganisation in certain sectors of the Lep Group together with a general increase in world trade enabled this London-based international freight forwarder to push its 1984 taxable profits up by £4.6m to £7.45m.

In 1982 the group saw its profits plunge from over £5m to £2.5m. The following year was virtually static with reported figures at £2.5m.

During 1984 most of Lep's components earned higher profits with the main increases being achieved in Germany, the UK, the Far East and Canada.

Some of the group's development and expansion plans were implemented during the year with new offices being opened in the U.S., Brazil, Canada, Italy and Spain.

Lep's operations in the U.S. were reorganised to improve the scope and quality of services.

The directors, headed by Mr John Read, the chairman and managing director, intend to follow a progressive dividend policy consistent with ensuring that such payments will be adequately covered.

For the 1984 year they are lifting the total by 1p to 4.5p net with a final of 3.25p. Earnings per 20 share came through 10.8p ahead at 12.8p.

Mr Read says it is too early to make a forecast of the likely outcome for the current year.

He tells shareholders, however, that in spite of substantial development expenditure being incurred, current profits continue to be satisfactory — particularly in the main operations.

The chairman believes there are good grounds for "cautious optimism".

Turnover for 1984 advanced from £77.2m to £97.35m and generated a trading surplus of £8.73m, compared with a pre-

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interim or final and the sub-divisions shown below are based mainly on last year's timetable.

TODAY
Interim: Airbus, Government Securities Trust, Carlton Communications, Bobson Park Industries.
Final: Capital Strategy Fund, Fresh-bake Foods, Hill Samuel, Southend Securities, TR Industrial and General Trust.

FUTURE DATES
Interim: Best Brothers June 20
Body Shop International June 12
Guinness June 11
Final: Associated Meat Services June 21
Century Oil June 6
Chapman Industries June 4
Deakair Ltd June 11
Dominion International June 12
Dunlop International June 11
Dunlop International June 11
Kloof Gold Mining June 11
Libanon Gold Mining June 12
M & O Second Dual Trust June 12
Ventureport Gold Mining June 11
Vickroy Gold Mining June 11
Wright Collins Rutherford Scott July 8

vious £2.75m. Because the main group reorganisation was substantially completed by end-1983 such costs incurred since that date were charged in arriving at the trading surplus.

Pre-tax figures were struck after taking in a £727,000 (£80,000) share of associates' profits. These included £687,000 (nil) attributable to the interest-free National Guardian Corporation, acquired in two tranches in April and August last year.

Tax accounted for £3.02m (£2,06m) and minorities for £433,000 (£318,000). At the attributable level profits surged from £1.08m to £4.57m. In 1983 redundancy, reorganisation and closure costs amounted to £781,000 and were charged as extraordinary items.

Mr Read says the group is continuing to make considerable revenue investment in a number of areas, particularly in the U.S. — new offices have been opened there, the Philippines and in the UK.

comment
Lep has landed well ahead of

market expectations — thanks at least in part to a good first time contribution from U.S. security company National Guardian.

With most of the reorganisation costs now behind it (and with those that had to be paid in 1984 carried above the line) the group is expanding its international base through opening new offices.

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Woolworths expects further progress as sales rise this year

Woolworth Holdings, retailing financial progress this year, Mr John Beckett, the chairman, told the annual meeting.

Sales so far this year were above the comparable levels of a year ago, while the company's plans to revitalise its F. W. Woolworth retail stores should also begin to favourably affect results in 1985.

On the recent rights issue, when asked by a shareholder if money could not have been raised by selling a stake in B & Q, Mr Beckett retorted that B & Q was currently the star in the group's armament.

"I don't think shareholders would thank us for having taken an alternative which meant we sold any part of this very fast growing, very successful business."

Mr Beckett welcomed the recent Common move backing the intention to devalue the shop hours. He said the repeal of legislation on shop hours would provide significant opportunities for the group.

When asked later about possible acquisitions, Mr Beckett said "we have no acquisitions immediately in prospect."

At other annual meetings, the chairman reported the following: Magnolia Group (Mouldings) — Mr R. J. Wallrock said current order books for both home and export were satisfactory and he was confident of a reasonable growth in profits this year.

Phileas — Mr A. K. S. Franks said the group was in a strong position for the future, but the first half of this year would show a profit downturn. It was too early to say whether this short-fall could be outweighed by better second-half results, but he was confident that the dip would prove to be no more than a temporary setback.

Sovereign Oil & Gas — Mr Charles Hambro stated that the company had been successful in acquiring six blocks in the Ninth Round of licensing awards. Its financial position had never been stronger and the board was looking forward to an active exploration programme and participation in other business opportunities.

Anglo-Indonesian surges

A strong performance by almost all group companies enabled the Anglo-Indonesian Corporation to quadruple pre-tax profits in 1984 to a record £4.8m.

Turnover of this plantation and engineering concern amounted to £33.13m, against £28.88m.

The contribution to the group's total pre-tax profits was £1.9m and from high tea prices which ruled for much of 1984.

However, since the year end tea prices have fallen sharply, it is therefore likely that profits for

the current year will be somewhat lower, but longer term prospects seem good, the directors state.

Attributable profits in 1984 surged from £745,000 to £2.9m. Tax took £1.18m (£221,000), minorities £205,000 (£83,000) and extraordinary debits £124,000 (nil).

Net earnings per 25p share before extraordinary items, were 49.9p (12.4p) undiluted or 40.3p (11.3p) fully diluted. A final dividend of 5p net raised the total from 4p to 7p, costing £535,000 (£344,000).

COMPANY NEWS IN BRIEF

Blue Arrow has disposed of its four operating business via a management buy-out.

Contracts were exchanged with a company to be called Net Arrow, owned by Mr Peter Chadda, the operations director of Blue Arrow Holidays.

The assets comprise the business and goodwill of this subsidiary and the consideration is £50,000.

The transaction will leave Blue Arrow free to realise in due course its investment in certain overseas properties and other assets. The disposals are expected to produce further proceeds in excess of £750,000 which will be applied to reduce group borrowings.

Not asset value per 25p share of the TR North America Investment Trust amounted to 225.8p at the end of the year in March 31 1985. This year the rise of 27.3 per cent over the 178.2p shown a year previous.

Net revenue for the year was up from £1.13m to £1.25m and earnings per share advanced to 3.9p (3.46p). The recommended final dividend is 2.65p (2.4p) which raises the total to 3.65p (3.4p). A one-for-one scrip issue is proposed.

The Laird Group has acquired Plastic Profiles, of Minnesota, for £4.8m in cash. Plastic Profiles supplies extruded plastic products to manufacturers of wooden windows.

The acquisition strengthens Laird's position as a supplier to the U.S. door and window industries and gives it access to the growing market for specialty thermoplastic and elastomeric weather seals.

Plastic Profiles made pre-tax profits of \$875,000 (£333,000) in 1984 on a turnover of \$5.9m. Net assets acquired were in excess of \$1.8m.

A sharp deterioration in Davenport's Brewery (Holdings) beer-at-home division and a

doubling of interest payments resulted in pre-tax profits falling by 19 per cent to £500,000 in the first half to March 30 1985. A financial restructuring is taking place and the division being reduced in size.

Group turnover was higher at £18.28m (£17.62m) but operating profit came out at £1.05m (£1.14m), which after interest charges of £313,000 (£157,000) resulted in trading profit of £742,000 (£985,000).

The interim dividend is held at 3.6p. Last year a total of 8p was paid.

Pre-tax profits of Jermyn Investment Co dropped from £117,127 to £85,834 for the year to January 31 1985. Earnings per 25p share fell from 7.1p to 6.51p and the dividend is maintained at 1.625p.

Tax took £20,864 (£46,038) and last year there was also an extraordinary credit of £151,875.

Beardon Smith, a loss-making Cardiff-based shipping group, yesterday asked for a suspension of its shares "pending clarification of the company's position."

A further statement was expected to be made today.

The company, valued at about £250,000 at the suspension prices of its two classes of shares, had pre-tax losses of £2m in the six months ended September 30, 1984, on turnover of only £2.36m.

In the same period a year before, the loss was £459,000 on turnover of £1.8m.

Nearly 84 per cent of the 21.8m shares offered in a rights issue by the London and Northern Group have been taken up.

The balance, 1.33m shares, have been sold in the market at a premium and net proceeds of 8.7p per share will be distributed pro rata among the holders who did not exercise their rights. Any amounts of less than £2 will be retained.

NOTICE OF OPTIONAL REDEMPTION

U.S. \$50,000,000

Société Financière pour les Télécommunications

et l'Electronique S.A.

Guaranteed Floating Rate Notes Due 1990



Guaranteed by

STET

Società Finanziaria Telefonica per Azioni

Notice is hereby given that in accordance with Clause 4 (B) of the terms and conditions of the above Notes, SOFTE — Société Financière pour les Télécommunications et l'Electronique S.A. has elected to redeem all of the outstanding Notes at their principal amount on 8th July, 1985 when interest on the Notes will cease to accrue.

Repayment of principal will be made upon presentation and surrender of the Notes with all unmaturing Coupons attached, at the offices of any of the Paying Agents mentioned thereon.

Accrued interest due on the 8th July, 1985 will be paid in normal manner against presentation of Coupon No. 10.



The Sumitomo Bank, Limited

Fiscal Agent

NOTICE TO HOLDERS



U.S.\$155,000,000

Credit for Exports PLC

(Incorporated in England with limited liability)

Unsecured Floating Rate Notes due 1985 to 1992

NOTICE IS HEREBY GIVEN that pursuant to Condition 7(a) of the above mentioned Notes (the "Notes") Credit for Exports PLC will, on 1st July, 1985, redeem U.S.\$2,080,000 in principal amount of the Notes at par (U.S.\$4,440,000 in principal amount of the Notes having been purchased on behalf of Credit for Exports PLC in the open market, in compliance with the provisions of Condition 7(b) of the Notes, and having been credited at their principal amount against the mandatory redemption instalment of U.S.\$6,520,000 in principal amount of the Notes due on 1st July, 1985) and that the following Notes, identified by serial number, have been drawn by Orion Royal Bank Limited as Principal Paying Agent on behalf of The Law Debenture Trust Corporation p.l.c., the Trustee for the holders of the Notes, for redemption on such date:—

599	1882	2927	4137	5472	6863	8057	9871	10992	11973	13675	14807
613	1885	2931	4141	5535	6909	8059	9895	10993	12074	13846	14835
641	1819	3010	4354	5561	6945	8058	9926	11008	12108	13856	14872
677	1949	3017	4369	5593	6977	8206	10029	11047	12208	13961	14893
709	2032	3041	4451	5659	7026	8388	10188	11089	12267	13980	14913
757	2070	3072	4494	5687	7196	8471	10286	11094	12470	14018	15077
825	2072	3075	4577	5914	7215	8492	10322	11125	12557	14032	15123
882	2128	3139	4523	5936	7488	8524	10367	11220	12887	14077	15239
987	2243	3290	4746	5937	7571	8664	10397	11359	12923	14128	15331
1141	2338	3321	4903	6306	7576	8729	10411	11421	12935	14186	15449
1387	2370	3440	4948	6469	7586	8044	10428	11434	13116	14326	
1395	2507	3463	4967	6535	7757	8207	10434	11515	13236	14354	
1442	2551	3528	4971	6566	7919	8371	10486	11545	13325	14434	
1578	2611	3548	5284	6614	7932	8453	10718	11550	13331	14480	
1655	2617	3644	5356	6681	7955	8476	10722	11566	13369	14492	
1695	2655	3792	5423	6692	7989	8532	10790	11582	13444	14562	
1759	2730	3810	5434	6690	8045	8674	10911	11928	13451	14730	
1843	2785	4123	5453	6837	8053	8786	10937	11957	13553	14775	

Notes not listed above are not affected by this redemption.

The Notes specified above should be presented and surrendered on 1st July, 1985 for redemption together with all unmaturing coupons at the specified office of any of the Paying Agents listed below. On such presentation and surrender payment of the full principal amount of such Notes will be made by U.S. Dollar cheque drawn on a New York City bank or by transfer to a U.S. Dollar Account maintained by the payee with a New York City bank.

Coupons due for payment on 1st July, 1985 should be detached before presentation and surrender of the Notes specified above and presented for payment in the usual manner.

PAYING AGENTS

ORION ROYAL BANK LIMITED
1 London Wall,
London EC2Y 5JX

The Royal Bank of Canada
(France) S.A.,
3 Rue Scribe,
75440 Paris,
France.

The Royal Bank of Canada
(Belgium) S.A.,
Rue de Léigne 1, 1000 Bruxelles,
Belgium.

The Royal Bank of Canada
(Swiss),
Rue Dider 6,
1204 Geneva,
Switzerland.

The Royal Bank of Canada A.G.,
Bockenheimer Landstrasse 61,
6000 Frankfurt/Main 1,
West Germany.

Kreditbank S.A. Luxembourg, 43 Boulevard Royal,
2955 Luxembourg

Paying Agent as to Principal only:
The Royal Bank & Trust Company,
68 William Street,
New York, N.Y. 10005,
U.S.A.

Interest shall cease to accrue on the Notes specified above with effect from and including 1st July, 1985 and all Coupons (whether or not attached to such Notes) relating to any interest payment date falling due after 1st July, 1985 shall thereupon become void.

DATED: LONDON, 31st MAY, 1985

Credit for Exports PLC and

The Law Debenture Trust Corporation p.l.c., Trustee

By:



ORION ROYAL BANK LIMITED

A member of The Royal Bank of Canada Group

PRINCIPAL PAYING AGENT

Payments of principal made upon surrender of the Notes specified above at the office of the Paying Agent in the United States of America and payments of principal or interest made upon surrender of Notes or Coupons outside of the United States of America but by transfer to an account maintained by the payee with an office of the payor within the United States of America may be subject to certain information reporting requirements and to a United States of America back up withholding tax (at the rate of 20%) unless holders certify that they are not U.S. persons (as defined in the United States Internal Revenue Code) and, in the case of payments of principal, as to certain other factual matters.



London United Investments
Public Limited Company

	year ended 31st December	1984	1983
Turnover	£000's	40,809	24,636
Operating profit		6,313	5,842
Group overheads		(762)	(677)
Share of profits of associated companies		644	256
Group profit before taxation		6,195	5,221
Taxation		3,000	2,640
Group profit after taxation		3,195	2,581
Extraordinary items		60	245
Group profit after extraordinary items		3,135	2,336
Transfer (to)/from capital reserves		13	(33)
Dividends		3,148	2,303
Retained profit transferred to reserves		1,529	1,412
Earnings per share		27.16p	24.38p

London United Investments P.L.C. reports that the Group substantially increased its profits during 1984 and that the final dividend has been increased by 1p to 8p per share.

Pre-tax profit rose to £3,195,000 in 1984 from £2,221,000 in 1983, an increase of 18.66%.

A final dividend of 8p per share will be paid on Monday 1st July, 1985 to Shareholders on the register at the close of business on Friday 7th June, 1985, which together with the interim dividend of 5p per share already paid will total 13p per share for the year. This compares with 12p per share for the preceding year.

Copies of the Report and Accounts may be obtained from
The Secretary at 12/13 Lime Street, London EC3M 7AA.

Federal Farm Credit Banks Consolidated Systemwide Bonds

7.80% \$1,195,000,000
CUSIP NO. 313311 MY 5 DUE DECEMBER 2, 1985

7.95% \$657,000,000
CUSIP NO. 313311 ND 0 DUE MARCH 3, 1986
Interest on the above issues payable at maturity.

9.45% \$761,000,000
SERIES H-1988
CUSIP NO. 313311 PC 0 DUE JANUARY 20, 1988
Interest on the above issue payable January 20, 1988, and semiannually thereafter.

Dated June 3, 1985 Price 100%

The Bonds are the joint and several obligations of The Thirty-seven Federal Farm Credit Banks and are issued under the authority of the Farm Credit Act of 1971. The Bonds are not Government obligations and are not guaranteed by the Government.

Bonds are Available in Book-Entry Form Only.

Federal Farm Credit Banks Funding Corporation

90 William Street, New York, N.Y. 10038

Peter J. Carney
President

This announcement appears as a matter of record only.



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TECHNOLOGY

Gene probes set to enter the battle to defeat cancer

Stephanie Yanchinski on a new way of combatting disease

TINY THREADS of the stuff of life, deoxyribonucleic acid, or DNA, could give thousands of families hope for a better life. Doctors will soon be routinely using gene probes, as these threads are called, to detect genetic diseases of the blood such as sickle cell anaemia, and thalassaemia in unborn babies.

Until now, doctors could not predict whether the foetus was likely to be a sickle cell baby or not. This can now be done within the first few weeks of pregnancy, early enough to give the mother the choice of having an abortion. This would save the family years of anguish bringing up a sick child who may well die young.

But the potential use of gene probes in human disease goes further. Eventually doctors will use probes to detect susceptibility to diseases such as heart disease, diabetes and cancer. Young adults diagnosed as likely to develop the disease in later life can watch their diet, or avoid working in an environment likely to cause cancer.

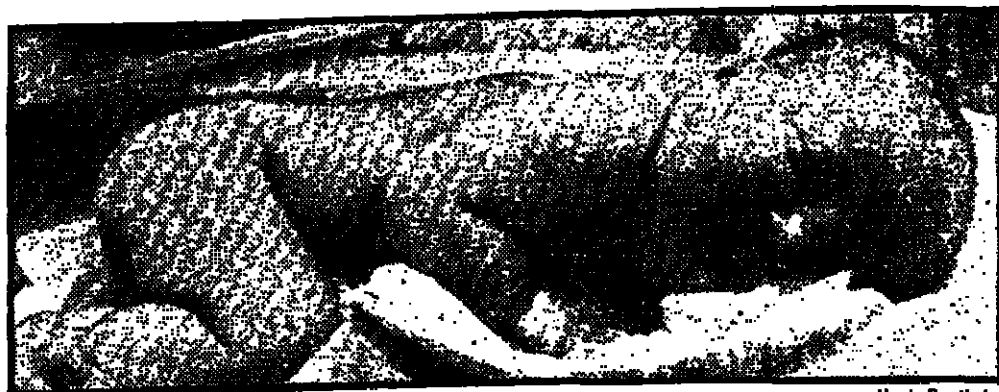
The U.S. company Cetus is just one of the new biotechnology firms expecting to launch diagnostic kits based on gene probes later this year. Cetus will market two tests for picking up sickle cell anaemia, a disease common among American blacks, and juvenile onset diabetes.

Sickle cell anaemia occurs in individuals who have inherited two genes for an abnormal type of haemoglobin, the oxygen carrying protein in the blood, called HbS. When a red blood cell containing HbS loses its oxygen, the cell changes shape. Its normal pliable form becomes long, curved and rigid, like a crescent or "moon." Because of their shape the "sickle" cells pile up on one another and restrict the flow to vital organs. Children can die young of severe anaemia and general debility.

Sickle cell anaemia and another related blood disorder, thalassaemia, are serious diseases throughout the world. The World Health Organisation estimates that at least 200,000 severely affected children are born every year and that hundreds of millions carry the disease in their genes.

Usually these adults carry only one copy of the HbS gene and so remain healthy. But if they marry another carrier, their children have a 25 per cent chance of receiving both HbS genes, one from each parent and so developing the disease.

These diseases appear mainly in Africa, South-East Asia, the Caribbean and the Mediterranean. Over the centuries immigrants from these areas spread the disease, and in the U.S., for example, one in 12 blacks carries the HbS gene



Gene probes are being used to help babies avoid genetic blood diseases

and about 1,500 children are born severely affected every year.

The genes in human cells consist of two DNA strands twisted into the shape of a spiral staircase or double helix. The DNA chains in turn contain chemical units linked together, like beads in a necklace. These chemicals attract one another, and their chemical bonds form the steps of the staircase.

Probes are single strands of active DNA, separated from their helical partner, which will cleave to other pieces of DNA nearly identical in structure.

For example, a probe containing the HbS gene, and known to be associated with the sickle cell anaemia, can be used to screen an individual's blood to see if the HbS gene is present.

If cells from an unborn foetus bear both HbS genes, then the child will be born with the disease.

At the moment screening a sample for the sickle cell gene is somewhat laborious. It starts with extracting the DNA from a tissue sample taken from the patient, then digesting the DNA into fragments of different lengths with special enzymes.

The scientist next places these fragments on a gel through which an electric current flows. The current pulls the pieces of DNA apart and they accumulate into bands, according to their molecular weight, which determines how fast they move.

The double strands of the DNA are broken up into single strands thus freeing them to pair with any others nearby,

and fixed onto nitrocellulose or nylon filters.

A solution containing the HbS probe washes over the filter paper and the probes bind just to those fragments of DNA which contain the HbS gene. The difference in banding patterns between a sickle cell person and a normal individual reveals the presence of the disease-causing genes.

Until recently the standard way of visualising these bands involved tagging the gene probe with radioactive tracers then taking an X-ray of the filter paper. Cetus has developed a non-radioactive probe marker which makes the test easier and cheaper to use.

In this case, the marker molecule attached to the probe is biotin, a protein found in egg

whites. After adding an enzyme complex to the probe, brightly coloured bands appear on the filter paper.

Dr Henry Erlich, director of the Genetic Disease Program at Cetus, says the tests are sensitive enough to pick up a single defective gene in 1m others.

For companies such as Cetus the real excitement lies in finding probes for assessing the risk of developing heart disease, or diabetes in later life. Other prototype kits destined for the market later this year picks up different types of proteins called human leucocyte antigens (HLA). These are used for matching tissue types in organ transplants. The Cetus HLA tests, however, will eventually be applied to a range of other human problems, from proving paternity to detecting diabetes, and certain devastating autoimmune diseases, such as myasthenia gravis and rheumatoid arthritis.

The ready availability of such tools for delving into an individual's genetic make-up presents certain ethical and personal dilemmas for doctors and patients alike.

Cetus's Dr Kay Noel says that in the case of sickle cell anaemia studies show only about 50 per cent of those interviewed want a genetic test. For doctors, too, it will take time for the technology to be accepted.

EDITED BY ALAN CANE

Faster machinery for fish finger packing

BY PETER MARSH

METAL BOX, the packaging company, claims to have broken new ground in fish-finger technology with the development of a production line that can sort and install in boxes up to three tonnes of the foodstuff an hour.

Two of the systems, together worth £1m, are to be installed in two Unilever fish-finger plants. A Birds Eye Walls factory in Grimsby, Lincolnshire, is to take delivery of one set while the other will go to Nordsee Deutsche Eiscreme-fabrik in Bremerhaven, West Germany.

The equipment, developed at Metal Box's carton-engineering factory in Swindon, Wiltshire, sends fish fingers from freezers along vibrating decks, which separate those that are stuck together and ensure they are pointing in the right direction.

The fingers are channelled by mechanical devices into 36 lanes which merge at a later stage. By setting the flow rate accordingly, factory engineers can obtain the correct batch size of products from a combination of all the lanes.

Finally, the frozen items are packed automatically into cartons of five to 18. According to Metal Box, the system is easy to maintain and can be operated with relatively few people.

Over the past few years, Metal Box's Swindon factory has established a sound reputation in incorporating the latest automation technology in fish-finger plants around the world.

The plant also turns out carton equipment for other industries and has a special expertise in hardware that automatically fills with compost, aseptic pots for gardening enthusiasts.

● MONDOMIX-HOLLAND BV, a Dutch company, has devised a new technique to transport and store fresh cream for a variety of cakes and other food products.

The system, in which air is pumped into the cream at a controlled temperature and pressure to create the desired texture, is sold in the UK by European Process Plant of Banstead, Surrey.

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Christmas bonus for tree industry

THIS YEAR'S stock of Christmas trees may stand a better chance of surviving the next few months with the aid of a novel biological pesticide.

VITROX, developed by Microbial Resources of Thale, Berkshire, and Britain's Institute of Virology, attacks a pest known as Neodiprion sertifer, which affects Christmas trees.

Microbial Resources aims to sell the product in the U.S., where it has been approved by the Environmental Protection Agency. The pest causes millions of dollars of damage each year. More on 9734 303707.

Computerised dealing

ABOUT 15 banks and broking companies in the City of London have ordered computerised dealer systems worth £2.5m from V Band, of Barking, Essex.

With a set of keys and a display screen, dealers can call up information from a variety of sources and communicate with other financial houses.

Plastic pipe welding

DRESSER Industries of the U.S. has paid £130,000 to Vukathene division of Glynwed of Birmingham for the use of plastic pipe welding technology.

The system—trade name Gaseoil—passes an electric current through the pipe end and ensures a strong fused joint.

The trench to be cut need be no wider than the pipe as the generator providing power can be sited away from the joint.

Computer takeover in design of printed circuit boards

BY GEOFFREY CHARLISH

MENTOR GRAPHICS, the U.S.-based computer-aided engineering company which has so far specialised in design systems for silicon chips, has now moved into printed circuit board design with a product called Board Station.

Mentor says the system is one of the few that can design printed circuits without any help from humans.

The company, founded in 1981, reached a turnover of almost \$88m in 1984, and claims to have 35 per cent of the world market in systems for computer-aided engineering (CAE) of circuits.

These systems allow engineers, using a screen and keyboard, to develop, for example, a computer circuit from initial

logical schematic diagram through to a completed printed board layout.

Computer power is brought to bear on the complex task of placing the components—mostly integrated circuits—in the best position and making the connections between their pins. It might take many man-weeks of manual work, even if the necessary physical accuracy could be achieved, which is unlikely with the latest closely-spaced, very narrow tracks.

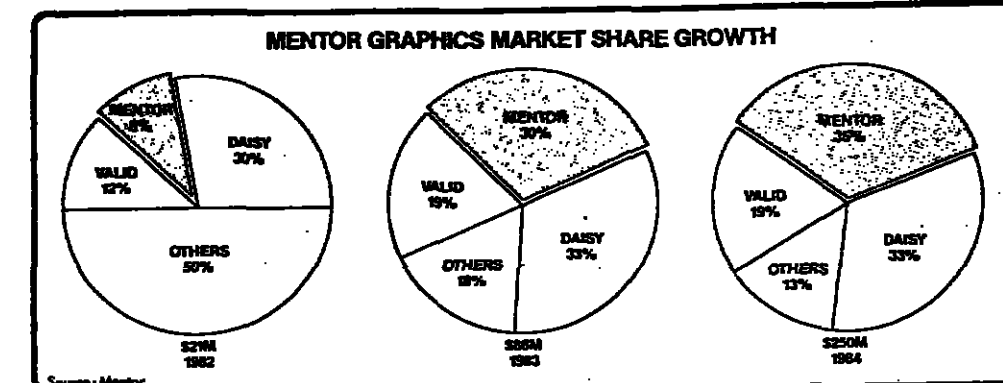
Other programs automatically check that electrical design rules are observed (spacing of the conductor tracks for example), finally verify the track routing, produce tapes to drive board drilling machines and print out all the necessary

documents.

The work has to be repeated for each layer of a multi-layer board—and eight to 10 layers are commonplace in professional computer systems. Nowadays, computer assistance is essential.

Mentor claims a number of advantages over previous systems. For example, placement and routing is not based on the customary fixed grid spacing of component connection pins (0.1 or 0.05 inch) but is varied by the software at various parts on the board to produce the best results as the layout evolves.

The company also claims that its routing software examines the whole problem at the same time, not in segments, preventing the process from getting "stuck," rather like someone in



a maze—the Mentor software has a bird's eye view of the whole maze.

This, coupled with a multi-attempt method (in which the software progressively improves the layout), and with the acquisition and use of more and more data as the process proceeds, results in 100 per cent completion of routing—even on complex boards, according to Mentor. Most systems currently achieve between 80 and

100 per cent with manual completion of the remainder.

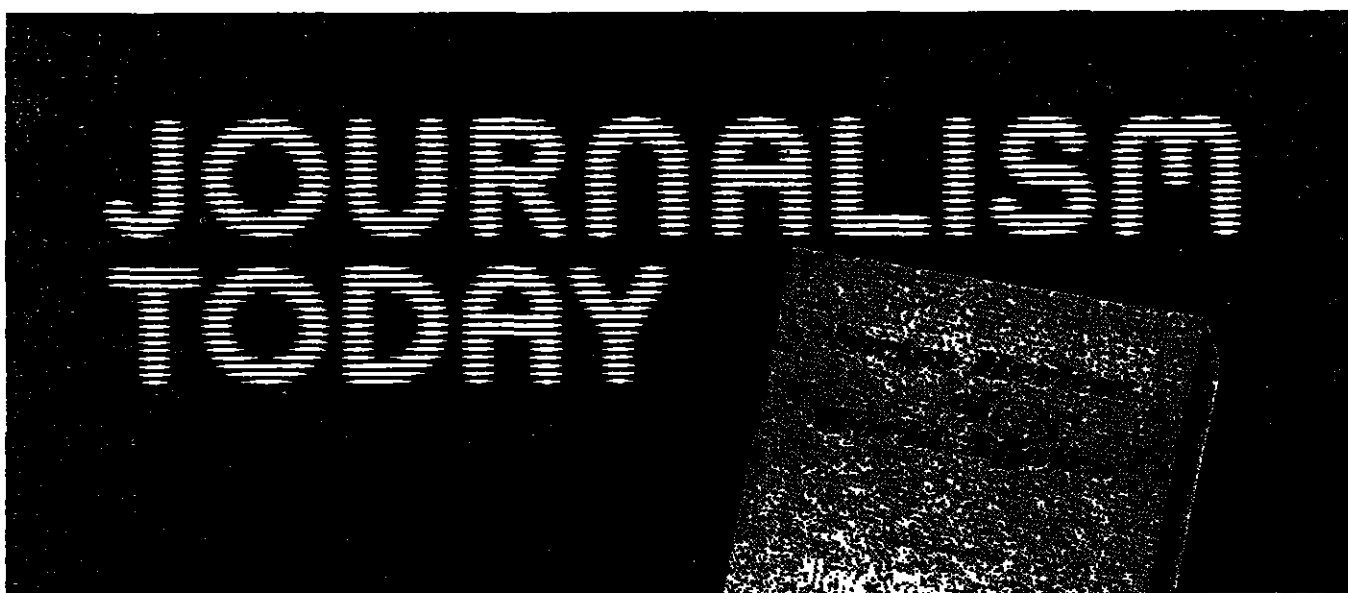
Tests show that a 300 component board, with an average of 14 leads per component and 2,400 connections can be routed in under four hours. Component placement takes two hours. With more powerful hardware, the design of 1,000 component boards is feasible.

First deliveries of Board Station will be in September. A complete system based on the

Apollo 550 computer costs £79,900, allowing "stand-alone" terminal development of board layout.

These and other tasks, like circuit simulation (another software package) can also be carried out at other Mentor terminals to speed up design projects. They can all be connected together over an Apollo Domain network.

In the UK, Mentor Graphics is in Reading, on 0734 89488.



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1984
Another year of significant growth for Banco di Sicilia.

HIGHLIGHTS FROM BANCO DI SICILIA ANNUAL REPORT 1984

	(in billion Lire)	
	1984	1983
Capital and Reserves	1,089.2	947.9
Total Loans and Advances	16,779.0	14,274.4
Total Deposits	23,493.2	19,881.7
Total Assets (excluding Contra Accounts)	29,112.6	24,213.8
Net Profit	18.6	13.3

* After allowing 77 billion Lire for depreciation and 167 billion Lire for provisions.

BRANCHES OPENED IN 1984

In Italy: Ascoli Piceno, Latina, Padova, Ravenna
Abroad: Los Angeles (Foreign Branch), Paris
Representative Office in Singapore



Banco di Sicilia

Head Office: Via Mariano Stabile 182, Palermo.
International Banking Division-Head Office: Via del Corso 271, Roma.
Branches Abroad: Frankfurt a.M., London, Los Angeles (Foreign Branch), New York, Paris
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mes Friday May 31 1985

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Birmingham, England

Christmas bonus for tree industry

THIS YEAR'S Christmas bonus was better than last year's, according to a survey of 100 tree growers in the Midlands.

VITROX, a specialist in the production of artificial Christmas trees, says that the demand for its products has increased by 10% over the last year.

Microbial Research, which produces artificial Christmas trees, says that the demand for its products has increased by 10% over the last year.

Microbial Research, which produces artificial Christmas trees, says that the demand for its products has increased by 10% over the last year.

Computerised dealing

ABOUT 15 banks and building societies in the City of London have agreed to use a computerised system for dealing with foreign exchange transactions.

The system, which is being developed by the City of London Corporation, will allow banks to deal with foreign exchange transactions more efficiently and at a lower cost.

The system will also allow banks to deal with foreign exchange transactions more efficiently and at a lower cost.

Plastic pipe welding

DRESSER Industries Inc. has developed a new plastic pipe welding system that is faster and more efficient than existing systems.

The new system, which is being developed by Dresser Industries Inc., will allow plastic pipes to be welded more efficiently and at a lower cost.

The new system will also allow plastic pipes to be welded more efficiently and at a lower cost.

Year-end for icilia

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SECTION III - INTERNATIONAL MARKETS

FINANCIAL TIMES

Friday May 31 1985

25

U.S. crude oil stocks rise above 1984 level, Page 36

WALL STREET

Economic optimism overrides

STOCKS on Wall Street closed at a new peak yesterday after reversing a downward trend when Mr. Preston Martin, vice-chairman of the Federal Reserve Board, told a meeting in Washington that "inflation appears here to stay," writes Terry Byland in New York.

Similar optimism on the economy came from Ms. Martha Seger, governor of the Fed, who predicted that inflation would stay around the pace of the last two years throughout 1985.

The bond market swiftly rallied, replacing falls of half a point with minor gains. Stocks also returned to an upward path abandoned earlier when Mr. John Akers, IBM's president, acknowledged that the computer industry faced a slowdown.

The Dow Jones industrial average, 3 1/2 points up in early trading and three points down at mid-session, ended at 1,305.78, a net gain of 2.80 points. Significant increases in buying pressure followed the comments from Mr. Martin and Ms. Seger, and the day's share trades jumped to 109.1m.

The Commerce Department's latest economic indicators, showing a dip of 0.2

per cent in April, taken together with an 11.9 per cent drop in new house sales, again indicated a flat economy. But some market analysts continued to predict an upturn later in the year.

IBM fell 5 1/4% to \$127 in heavy turnover, with selling sparked by several brokerage analysts disclosing that they had lowered their IBM earnings forecast because of doubts about the second half of the year. IBM's earnings fell in the first quarter, but a recovery was expected later in the year.

Later, Mr. Akers acknowledged the slowdown in the industry but made no precise forecast of IBM's likely performance.

Other technology stocks carried lower with IBM included Digital Equipment, down 3 1/4% at \$102, Burroughs, down 1 1/4% at \$81 1/2, Honeywell, 5% lower at \$80 1/4, and Data General, 5 1/2% off at \$37 1/2.

Other industrials steadied, and it was left to takeover situations to provide the features. Food industry stocks sprang to life as the rumoured planned bid for Nabisco Brands by R.J. Reynolds promised a significant shakeup in the consumer field.

At \$79 1/2, Nabisco was 58% up in heavy trading as the market hinted at a \$91 share offer. The tobacco company, which has been successfully diversifying, fell \$2 to \$73 1/2, and rival tobacco group Philip Morris dipped \$1 to \$85 1/2 on the prospect of facing a competitor strengthened by Nabisco's confectionery outlets.

Elsewhere in the food industry, General Foods jumped \$1 1/2 to \$99, Quaker Oats \$2 1/4 to \$48 1/4 and Kellogg \$ 1/2 to \$58 1/4.

The food and retail sector is regarded

as the next likely sector for restructuring by takeover.

Other takeover issues in centre stage included CBS, 5% up at \$115 1/2 after Mr. Ted Turner had modified his takeover offer, but without introducing the cash element that Wall Street wants. Trans World Airways, hoping for either a management buyout or a bidder to rival Mr. Carl Icahn, eased 5% to \$18 in heavy turnover.

Motor stocks disappointed the bulls again. Features were a 3% dip in General Motors to \$71 1/4 and a 5% fall in Ford to \$43 1/2.

Oil stocks steadied after dipping this week on fears of renewed cuts in world prices. Defence stocks put up a mixed showing, with United Technologies 5 1/2% higher at \$41 1/2, but General Dynamics was 5% off at \$71 1/2.

There was further profit-taking in pharmaceuticals, where Merck shed 5% to \$107 1/2 and Pfizer was dull at \$48 1/2. Upjohn, benefiting again from prospects for its anti-baldness product, added 5% to \$104 1/2.

The credit market rested after the busy trading of the past week. Federal funds traded at 7 1/4 per cent, at which level the Federal Reserve made a further \$1.5bn in customer repurchases. Credit flows are still distorted by the Maryland thrift industry's problems, and the federal funds rate is an uncertain guide to the underlying policies of the Federal Reserve at present.

The bond market shaded lower but was well-satisfied with the outcome of the Treasury's 5-year note auction, which disclosed significant interest from Japanese and Swiss investors.

EUROPE

New ground reached on rate hopes

HOPES of lower interest rates yesterday generated a broad advance on European bourses, pushing key market indicators in several centres to record levels.

From a comparatively subdued start leading West German, French and Belgian stocks advanced as foreign investors, notably from the U.S., Switzerland and the UK, stepped in to dominate activity.

In Frankfurt the expectation of reduced interest rates moved export-oriented blue chips to the top of buying lists, with Deutsche Bank, the country's largest private bank, standing out with a DM 20 surge to DM 533 ex-dividend.

Among other banking issues, Bayerische Vereinsbank added DM 14 to DM 382 ex-dividend, BHF DM 10 to DM 315 and Commerzbank DM 1 to DM 184.50.

The banking sector was a solid contributor to the 11.4 rise in the Commerzbank index to a record 1,321.5, taking the increase since May 14 to \$7.8.

Daimler-Benz was the object of most buying among automotive stocks, closing DM 8.50 higher at DM 801, while Volkswagen added DM 2.10 to DM 248.4.

Mannesmann featured among a strong steel sector following the announcement of doubled first-half earnings, improving DM 7.40 to DM 167.90, while Thyssen firmed DM 2.20 to DM 104.50.

Interest rate considerations played an important part in lively trading in bonds as the market responded positively to a new Federal Government loan stock launched yesterday.

In Brussels the Stock Exchange index moved to a peak with a 6.06 advance to 2,349.51 as the recent interest rate cuts continued to entice buyers.

Banking and financial stocks were well supported with Kredietbank receiving an additional boost following its purchase of a controlling stake in Van Der Hoop to close BFR 150 higher to BFR 8,750.

Cockerill-Sambre benefited from reports that the company's financial position is expected to improve and added BFR 5 to BFR 233. Arbed was also higher, finishing BFR 90 up at BFR 1,770.

Paris was under the control of foreign interest, and the CAC Generale index moved to another record with a 2.4 point rise to 232.6.

Automotive and car part stocks were

well backed. Peugeot gained a further FFr 14 to FFr 352 and Michelin FFr 17 to FFr 1,050.

Prices in Zurich rallied to overcome the consolidation that has recently restrained trading, although movements were generally small.

Insurers recovered, with Swiss Re firming SwFr 400 to SwFr 12,100 while Winterthur added SwFr 55 to SwFr 5,250.

Banks were also firmer as Volksbank registered a SwFr 15 advance to SwFr 1,600 and Baer a SwFr 15 rise to SwFr 8,150.

Chemicals advanced led by Hoffmann-La Roche, up SwFr 75 to SwFr 9,075 and Sandoz SwFr 150 higher at SwFr 8,500.

Trading in Amsterdam was mixed with declines narrowly outnumbering advances.

Speculation about lower oil prices put pressure on the sector with Royal Dutch easing 60 cents to F1 196.40. Among other leading stocks Unilever eased F1 2.70 to F1 345.30 while Philips encountered modest support to firm 40 cents to F1 56.70.

Stockholm continued along its narrow recovery course. Milan shares closed lower after Wednesday's improvement while Madrid edged forward in quiet trading.

Financials were boosted by steady buying. Tokio Marine and Fire added Y5 to Y909, and Taisho Marine and Fire firmed Y5 to Y483.

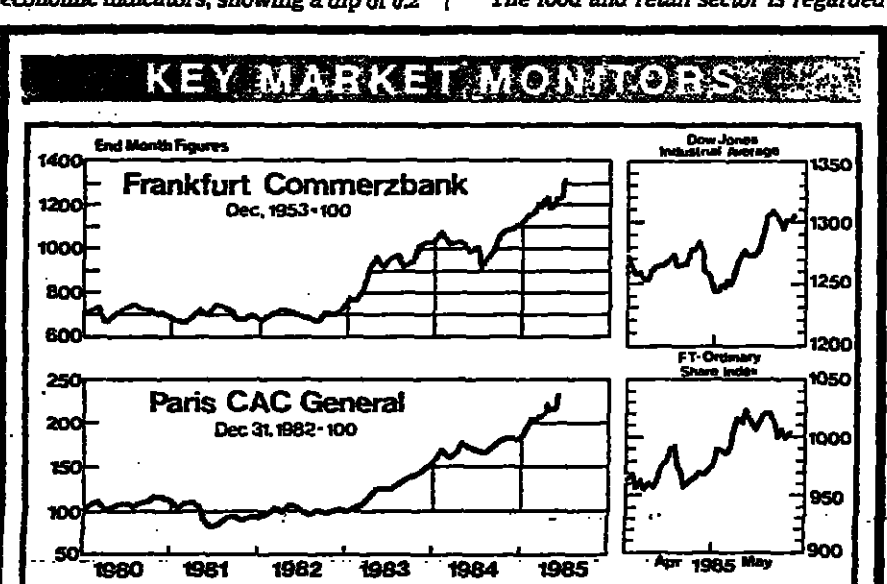
Construction and dredging groups strengthened across a broad front on expectations of higher public investment. Tokyo Construction gained Y14 to Y349, and Wakachiku Construction Y15 to Y314.

Some biotechnology-related stocks climbed. Kirin Brewery, the third best stock with 18.35m shares, rose Y22 to a record Y737. Shionogi rose Y39 to Y830 and Sankyo Y110 to Y1,300. However, Asahi Chemical remained unchanged at Y1,070.

Among hidden-asset issues, Heiwa Real Estate, also actively traded, put on Y10 to Y940. In contrast Mitsubishi Estate weakened Y2 to Y755.

Blue chips slumped on a wide front. Hitachi dropped Y12 to its lowest point for this year of Y753, and NEC fell Y40 to Y1,020.

Bonds were little changed in quiet trading, in the absence of new incentives. The yield on the 7.3 per cent government bond due in December 1993 edged up slightly from 6.570 per cent to 6.575 per cent.



STOCK MARKET INDICES			
	May 30	Previous	Year ago
NEW YORK			
DJ Industrials	1,305.78	1,302.98	1,102.59
DJ Transport	629.65	629.98	484.4
DJ Utilities	162.29	162.19	122.69
S&P Composite	167.75	167.68	151.43
LONDON			
FT Ord	1,004.6	999.1	796.9
FT-SE 100	1,314.7	1,312.0	1,026.6
FT-A All-share	634.87	632.95	477.21
FT-A 500	697.40	694.76	521.84
FT Gold mines	461.4	463.0	381.3
FT-A Long gdt	107.0	107.4	105.2
TOKYO			
Nikkei-Dow	12,790.27	12,767.17	10,141.0
Tokyo SE	10,000.07	997.91	790.74
AUSTRALIA			
All Ord.	574.6	578.4	668.7
Metals & Mins.	539.5	542.9	441.8
AUSTRIA			
Credit Aktien	98.32	97.89	54.69
BEELGIE			
Belgian SE	2,349.51	2,343.45	-
CANADA			
Toronto			
Metals & Mins	1,984.50	2,003.2	1,948.0
Composite	2,728.64	2,736.1	2,221.6
Montreal			
Portfolio	133.01	133.78	108.11
DEMARK			
SE	n/a	182.20	179.78
FRANCE			
CAC Gen	232.6	230.2	173.0
Ind. Tendence	130.1	126.6	89.1
WEST GERMANY			
FAZ-Aktien	450.95	448.19	339.88
Commerzbank	1,321.5	1,310.1	988.9
HONG KONG			
Hang Seng	1,821.88	1,587.71	928.5
ITALY			
Banca Com.	311.16	311.34	207.19
NETHERLANDS			
ANP-CBS Gen	210.5	210.8	153.8
ANP-CBS Ind	172.1	171.3	123.8
NORWAY			
Osto SE	338.93	336.20	273.62
SINGAPORE			
Straits Times	817.16	816.92	854.44
SOUTH AFRICA			
JSE Golds	-	1,020.3	996.2
JSE Industrials	-	967.8	969.3
SPAIN			
Madrid SE	109.75	109.23	85.11
SWEDEN			
J & F	1,379.28	1,370.06	1,416.62
SWITZERLAND			
Swiss Bank Ind	432.7	431.1	359.3
WORLD			
Capital Int'l	210.6	210.2	175.2
GOLD (per ounce)			
	May 29	Prev	Year ago
London	\$314.25	\$316.50	
Zurich	\$314.75	\$312.75	
Paris (filing)	\$313.93	\$311.19	
Luxembourg	\$314.80	\$311.00	
New York (June)	\$313.20	\$315.50	

CURRENCIES			
	U.S. DOLLAR	STERLING	
(London)	May 30	Previous	May 30
\$	3.08	1.2745	1.2675
DM	3.08	3.078	3.062
Yen	251.5	251.75	320.5
SwFr	9.265	9.26	11.9
FFr	2.5975	2.5875	3.305
Goldfr	3.472	3.471	4.4225
Ula	1.9875	1.9710	2.5655
BFR	61.95	62.05	78.95
CS	1.3785	1.3815	1.755
INTEREST RATES			
Euro-currencies (3-month offered rate)			
\$	12 1/4%	12%	
SwFr	5%	7%	
DM	5%	5%	
FFr	10%	10%	
FT London interbank fixing (offered rate)			
3-month U.S.\$	7%	7%	
6-month U.S.\$	8%	8%	
U.S. Fed Funds	7 1/4%	7 1/4%	
U.S. 3-month CDs	7.50	7.50	
U.S. 3-month T-bills	7.15	7.24	
U.S. BONDS			
	May 30	Prev	
Treasury			
9% 1987	100 1/4	9.02	100 1/4
11% 1992	107 1/4	10.229	107 1/4
11% 1995	105 1/4	10.385	104 1/4
11% 2015	105 1/4	10.67	104 1/4
Corporate			
AT & T			
10% June 1990	100 1/4	10.30	100 1/4
3% July 1990	79 1/4	8.50	79 1/4
8% May 2000	82 1/4	11.15	82 1/4
Xerox			
10% March 1993	97 1/4	10.95	97 1/4
Diamond Shamrock			
10% May 1993	97 1/4	11.05	97 1/4
Federated Dept Stores			
10% May 2013	92 1/4	11.55	92 1/4
Abbott Lab			
11.80 Feb 2013	102.959	11.50	102.959
Alcoa			
12% Dec 2012	101.996	12.00	101.996
FINANCIAL FUTURES			
	Latest	High	Low
CHICAGO			
U.S. Treasury Bonds (CBT)			
8% Bonds of 100%	76-25	76-25	76-02
U.S. Treasury Bills (IMM)			
\$1m points of 100%	92.85	92.87	92.79
Certificates of Deposit (IMM)			
\$1m points of 100%	92.85	92.87	92.79
LONDON			
Three-month Eurodollar			
\$1m points of 100%	92.12	92.18	92.12
20-year National Gilt			
\$50,000 Bonds of 100%	105-27	105-09	105-25
COMMODITIES			
	May 30	Prev	
London			
Silver (spot fixing)	482.50p	477.80p	
Copper (cash)	\$1,158.50	\$1,178.50	
Coffee (July)	\$2,048.00	\$2,058.00	
Oil (spot Arabian light)	\$26.825	\$26.825	

LONDON

Cautious optimism lingers

CAUTIOUS optimism pervaded London equities yesterday although most of the market's activity was centred on government securities. Encouraged by the strength of sterling and a further improvement in overnight U.S. bonds, foreign investors concentrated their funds on medium and long-dated gilts.

Further considerable business on domestic account was generated by the long list of stocks being dealt in special ex-dividend form.

At the longer end of the market, gains stretched to 1/4 before being pared later to around 1/8, while shorts benefited from easier interest rates in money markets and achieved rises up to 1/4.

Leading equities opened on a brighter note following comment on last month's trade returns and the improved export performance. The FT Ordinary index moved through the 1,000 barrier again and finished the session with a 5.5 gain to 1,004.8.

The approach of the end of the trading account brought some "new time" buying of both top quality and speculative issues. Internationalists were also favoured despite the rising pound with the bias towards chemical and pharmaceutical leaders. Worries over international oil prices faded but the sector lagged behind.

Chief price changes, Page 28; Details, Page 29; Share information service, Pages 30-31

HONG KONG

HEAVY local buying and strong overseas institutional support took Hong Kong sharply higher for the third consecutive session as the Hang Seng index breached the 1,600 threshold again with a 23.95 point surge to 1,621.06.

Later profit-taking eroded some of the gains that took the market indicator up 13 points in the first hour. By midday it was 38 points ahead.

Property and bank issues were sought after with Cheung Kong adding 40 cents to HK\$16.80. Hongkong Land rose 15 cents to HK\$5.80, and Sun Hung Kai Properties rose 30 cents to HK\$12.30.

Bank of East Asia held steady at HK\$26.50 while other leading bank shares scored gains. Hang Seng sparked with a HK\$2.50 rally to HK\$53.50 while Hongkong and Shanghai Bank managed a more modest 5-cent rise to HK\$8.15.

Elsewhere, Hongkong Electric rose 15 cents to HK\$8.45, Jardine Matheson dropped 80 cents to HK\$11.40 and Swire Pacific lost 10 cents to HK\$23.30.

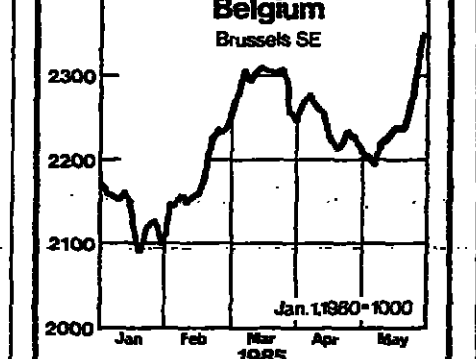
CANADA

THE DOWNTURN continued in Toronto with gold and base metal miners suffering the sharpest setbacks. Pronounced weakness in the oil and gas sector added to the overall gloom.

McIntyre Mines, which had 53 per cent of its shares purchased by Dome Mines earlier this week, traded C\$3 down to C\$38 1/2 after Wednesday's C\$6 1/2 retreat on news that Dome would not make an offer to minority shareholders.

Abitibi-Price dipped C\$ 1/2 to C\$18 1/2 after announcing plans to defer the issue of up to C\$175m in common stock.

Utilities managed to resist the slide in Montreal as banks and industrials dropped.



2,349.51 as the recent interest rate cuts continued to entice buyers.

Banking and financial stocks were well supported with Kredietbank receiving an additional boost following its purchase of a controlling stake in Van Der Hoop to close BFR 150 higher to BFR 8,750.

Cockerill-Sambre benefited from reports that the company's financial position is expected to improve and added BFR 5 to BFR 233. Arbed was also higher, finishing BFR 90 up at BFR 1,770.

Paris was under the control of foreign interest, and the CAC Generale index moved to another record with a 2.4 point rise to 232.6.

Automotive and car part stocks were

well backed. Peugeot gained a further FFr 14 to FFr 352 and Michelin FFr 17 to FFr 1,050.

Prices in Zurich rallied to overcome the consolidation that has recently restrained trading, although movements were generally small.

Insurers recovered, with Swiss Re firming SwFr 400 to SwFr 12,100 while Winterthur added SwFr 55 to SwFr 5,250.

Banks were also firmer as Volksbank registered a SwFr 15 advance to SwFr 1,600 and Baer a SwFr 15 rise to SwFr 8,150.

Chemicals advanced led by Hoffmann-La Roche, up SwFr 75 to SwFr 9,075 and Sandoz SwFr 150 higher at SwFr 8,500.

Trading in Amsterdam was mixed with declines narrowly outnumbering advances.

Speculation about lower oil prices put pressure on the sector with Royal Dutch easing 60 cents to F1 196.40. Among other leading stocks Unilever eased F1 2.70 to F1 345.30 while Philips encountered modest support to firm 40 cents to F1 56.70.

Stockholm continued along its narrow recovery course. Milan shares closed lower after Wednesday's improvement while Madrid edged forward in quiet trading.

Financials were boosted by steady buying. Tokio Marine and Fire added Y5 to Y909, and Taisho Marine and Fire firmed Y5 to Y483.

Construction and dredging groups strengthened across a broad front on expectations of higher public investment. Tokyo Construction gained Y14 to Y349, and Wakachiku Construction Y15 to Y314.

Some biotechnology-related stocks climbed. Kirin Brewery, the third best stock with 18.35m shares, rose Y22 to a record Y737. Shionogi rose Y39 to Y830 and Sankyo Y110 to Y1,300. However, Asahi Chemical remained unchanged at Y1,070.

Among hidden-asset issues, Heiwa Real Estate, also actively traded, put on Y10 to Y940. In contrast Mitsubishi Estate weakened Y2 to Y755.

Blue chips slumped on a wide front. Hitachi dropped Y12 to its lowest point for this year of Y753, and NEC fell Y40 to Y1,020.

Bonds were little changed in quiet trading, in the absence of new incentives. The yield on the 7.3 per cent government bond due in December 1993 edged up slightly from 6.570 per cent to 6.575 per cent.

All of these securities having been sold this announcement appears as a matter of record only.

NEW ISSUE

\$200,000,000

Irving Bank Corporation

Floating Rate Subordinated Capital Notes due May 1997

Merrill Lynch Capital Markets Salomon Brothers Inc.

The First Boston Corporation	Goldman, Sachs & Co.	Morgan Stanley & Co.	Shearson Lehman Brothers Inc.
Bear, Stearns & Co.	Alex. Brown & Sons	Daiwa Securities America Inc.	Deutsche Bank Capital
Dillon, Read & Co. Inc.	Donaldson, Lufkin & Jenrette	Kidder, Peabody & Co.	Drexel Burnham Lambert
E. F. Hutton & Company Inc.	Keefe, Bruyette & Woods, Inc.	Lazard Freres & Co.	
The Nikko Securities Co.	Nomura Securities International, Inc.	PaineWebber	Prudential-Bache
L. F. Rothschild, Unterberg, Towbin	M. A. Schapiro & Co., Inc.	Smith Barney, Harris Upham & Co.	
Swiss Bank Corporation International	UBS Securities Inc.	Wertheim & Co., Inc.	
Dean Witter Reynolds Inc.		Yamaichi International (America), Inc.	
A. G. Edwards & Sons, Inc.	Oppenheimer & Co., Inc.	Thomson McKinnon Securities Inc.	
Blunt Ellis & Loewi	Dain Bosworth	Gruntal & Co., Incorporated	Cyrus J. Lawrence

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Continued on Page 28

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Sale figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 2 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

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Frankfurt

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MARKET REPORT

Rising pound triggers overseas demand for Gilts; Equities also move higher

Account Dealing Dates
Options
First Declared Last Account
Dealing Date
May 13 May 30 May 31 June 10
June 13 June 24 June 25 June 26
June 27 June 28 June 29 June 30
June 31 July 1 July 2 July 3
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A mood of cautious optimism pervaded equity sectors but most of the activity in London yesterday centred on Government stocks. Encouraged by the strength of sterling and a further improvement in U.S. bonds overnight, overseas investors concentrated their funds on medium and longer term gilts. Demand was sufficient to exhaust the authorities' supply of the 150m tranche of Treasury 10 per cent 1992, at 94 and the £250m issue of Exchequer 10 1/2 per cent 2005, at 102.

Further considerable business in domestic accounts was generated by the long list of stocks currently being dealt in special ex-dividend form. At the longer end of the market, gains stretched to 1 1/2 before being pared late to around 1, while the shorts benefited from earlier interest rate moves. In the money market, achieved rates ranging from 1 1/2 to 1 3/4, with the overnight rate following the Government's activation of the Treasury 10 per cent 1992, at 94, late the previous day.

Leading equities opened on a brighter note following comment on last month's trade returns and the improved balance of payments. The FT Ordinary share index moved through the 1,000 level again at the first calculation and thereafter showed little sign of faltering, closing 5 1/2 up on the session at 1,004.8. Traders were heartened by the current resilience of Wall Street — the Dow Jones index overnight held above the crucial 1,300 — which reflects hopes of further reductions in short-term interest rates.

The approaching close of the year-end trading season in London brought some "new-time" buying of both top-quality and speculative issues. International stocks were also favoured, despite the rising pound, with the account holders and Chartered Bank's Chemical and Pharmaceutical leaders ICI, Beecham and Glaxo. Worries over international oil prices faded into the background in the general advance.

Banks subdued
The major clearing banks were subdued throughout and closed virtually unchanged. Elsewhere, the market was mixed, with support and rose 12 to 477p.

Among Lloyds brokers, Hogg Robinson continued to react in the wake of the abortive merger talks with C. Smith and closed 5 for a two-day fall of 25 to 259p; Heath rose 7 to 627p.

Charlie Browns Car Parts Centres made a bright start in the United Securities Market, the shares, placed at 78p, opened at 80p and moved up to 85p. The debut of the other USM newcomer John Perkins Meats, was

given a boost by reports that Mr Vasant Advani's Grovobell, through its Atlanta Investment Trust subsidiary, had acquired a 25.3 per cent stake in the company and also boardroom representation; Perkins shares, offered at 41p, began at 43p and touched 47p prior to closing at 45p.

Movements among leading buildings were limited to a few pence in either direction. Elsewhere, Meyer International attracted "new-time" buying on hopes that the company will soon attract a takeover bid and touched 145p prior to closing a couple of pence dearer at 152p.

ICI attracted steady support and closed 1 1/2 higher at 779p, while Crodia International met with further buying interest at 158p, up 2. Dealings in USM-quoted Body Shop International, which touched 745p before settling 30p higher on balance at 740p; the interim results are scheduled for June 12. Our Price, aided by a further Press mention, rose 15 more to 485p, but recent speculative selling pressure limited the advance. The FT Ordinary share index moved through the 1,000 level again at the first calculation and thereafter showed little sign of faltering, closing 5 1/2 up on the session at 1,004.8. Traders were heartened by the current resilience of Wall Street — the Dow Jones index overnight held above the crucial 1,300 — which reflects hopes of further reductions in short-term interest rates.

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FINANCIAL TIMES STOCK INDICES

	May 30	May 29	May 28	May 27	May 26	May 25	May 24	May 23	May 22	year ago
Government Securities.....	81.24	81.02	80.87	80.80	80.83	80.93	80.93	80.93	80.93	76.57
Fixed Interest.....	80.08	80.01	80.01	80.01	80.01	80.01	80.01	80.01	80.01	75.73
Ordinary.....	1006.1	1006.1	1006.5	1006.5	1006.5	1006.5	1006.5	1006.5	1006.5	957.0
Gold Mines.....	461.4	460.0	458.4	477.3	478.8	478.8	478.8	478.8	478.8	449.6
Ord. Div. Yield.....	4.61	4.60	4.59	4.61	4.61	4.59	4.58	4.58	4.58	4.54
Earnings, Yld. %.....	11.50	11.48	11.54	11.60	11.50	11.53	11.46	11.41	11.41	11.36
P/E Ratio (est.).....	10.54	10.46	10.87	10.58	10.57	10.57	10.63	10.61	10.61	10.30
Total Returns.....	22.642	22.273	25.833	23.500	25.267	27.066	21.881	21.881	21.881	20.685
Equity Turnover %.....	—	368.00	340.70	427.37	456.92	486.85	502.80	502.80	502.80	502.80
Equity Gains.....	—	16.80	18.50	21.89	21.91	23.32	25.837	26.18	26.18	26.18
Shares Traded (mil.).....	—	163.9	164.0	222.2	239.0	229.8	161.8	161.8	161.8	161.8
10 pm 1002 5	11	pm 1004 2	noon 1004 8	1	pm 1003 5					
2 pm 1000 9	3	pm 1004 2								
Basic 100 Govt	Secs., 15/10-26	Fixed Int 1928.	Ordinary 1/77.							
Sold Mines 12:55-55	SE Activity 1974									
Latest Index 01-246 8028.										
*MAY 10 18										

10 am 1002.5 11 am 1004.2 Noon 1004.8 1 pm 1005.5
2 pm 1002.9 3 pm 1004.2

Basic 100 Govt Secs 15/10/26 Fixed Int 1928 Ordinary 1/7/25
Gold Mines 12/9/55 SE Activity 1974

Latest Index 1004.8025

*Nil to 10

HIGHS AND LOWS S.E. ACTIVITY

	1985	Since Completion	May 29	May 28
Govt. Secs.	81.24	78.02	49.18	156.5
Fixed Int.	80.81	78.02	49.18	156.5
Ordinary	1004.8	78.02	49.18	156.5
Gold Mines	461.4	78.02	49.18	156.5

"new-time" buying accompanied by talk of expansion moves, while

Selected international stocks encountered further U.S. demand and Beecham rose 12 more to 377p; the preliminary results are expected next month. Glaxo, helped also by American buying overnight, closed 5 1/2 higher at 1212p. The preliminary statement from Boots caused a certain amount of initial confusion and the price, which touched 197p, fell back to 188p before closing a penny better on the day at 194p. Elsewhere, Evered moved up 10 to 264p following the proposed £2.6m rights issue and dividend forecast. Good results from Lep Group 8 higher at 273p, while Applero improved 4 to 270p on interim figures. Blue Arrow rose 7 to 182p after the announcement of a management "buy-out" in respect of its four operations business. Speculative demand led B. Slingsby 13 higher at 131p and B. Slingsby 13 higher at 131p and B. Slingsby 13 higher at 131p.

Properties were overshadowed by Thursday's disappointing trading statements from MIEPC and Capital and Counties. The former shed 6 for a two-day fall of 11 to 292p, while the latter lost 6 more to 107p. Land Securities

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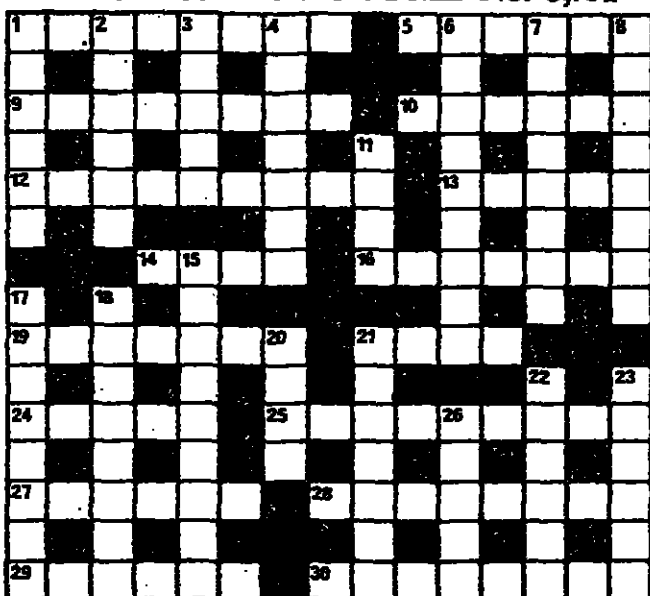
Selected international stocks encountered further U.S. demand and Beecham rose 12 more to 377p; the preliminary results are expected next month. Glaxo, helped also by American buying overnight, closed 5 1/2 higher at 1212p. The preliminary statement from Boots caused a certain amount of initial confusion and the price, which touched 197p, fell back to 188p before closing a penny better on the day at 194p. Elsewhere, Evered moved up 10 to 264p following the proposed £2.6m rights issue and dividend forecast. Good results from Lep Group 8 higher at 273p, while Applero improved 4 to 270p on interim figures. Blue Arrow rose 7 to 182p after the announcement of a management "buy-out" in respect of its four operations business. Speculative demand led B. Slingsby 13 higher at 131p and B. Slingsby 13 higher at 131p and B. Slingsby 13 higher at 131p.

Properties were overshadowed by Thursday's disappointing trading statements from MIEPC and Capital and Counties. The former shed 6 for a two-day fall of 11 to 292p, while the latter lost 6 more to 107p. Land Securities

closed 2 firmer at 135p, after 125p, following the annual results.

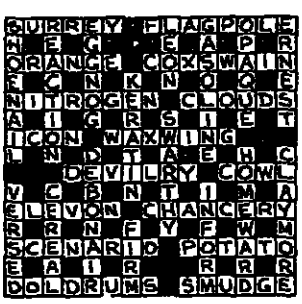
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F.T. CROSSWORD PUZZLE No. 5,731



- ACROSS**
- Sadly, they lack an opener (8)
 - Might be said to be pre-
judiced (6)
 - Refuse a record by mail-
order (8)
 - Beam, but allow nothing in
return (6)
 - Fascinated by an unusual
demeanour (9)
 - Not flush, but accepted by
the social clique (5)
 - Face-coloured jumper (4)
 - He produces his pass when
he's being charged (7)
 - Just means a stretch of cut
turf (7)
 - How to save one's skin? (4)
 - One may be put out by it
(5)
 - Missiles that make spells of
fighting warm (9)
 - Moaned about one's guardian
spirit (8)
 - It's not usually held by col-
liers or clergymen (8)
 - Carry on in summary fashion
(6)
 - Cultural pursuits penalise
skills (4, 4)
- DOWN**
- Defect in the hose fireman
use (6)
 - Makes you French look
Italian (6)
 - He will shortly ring — for
your reply? (5)
 - Time to take in a strange
rite by the Red Sea (7)
 - Began by being put in the
picture (9)
 - Reserved beach about the
end of August (3, 5)
 - Laid about a conservative
for loitering (8)
 - A cheese that is made round
(4)
 - Inferior style in which
younger children are taught
(5, 4)
 - The wrongdoer makes a final
bid to get outside (8)
 - Elevation above the peerage?
(8)
 - Measure up a cart (4)
 - He escaped to become
famous (7)
 - More like the snow I threw
out? (6)
 - Supplies rushed on board
(8)
 - Doctor, I have reduced
energy (5)

Solution to Puzzle No. 5,730



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**THE LEGAL
PROFESSION**

The above survey due to be published by the
Financial Times on June 13 will now be appearing in
the edition of July 15. This will coincide with the
visit to London of The American Bar Association.
It will cover a range of issues currently affecting the
profession including:—

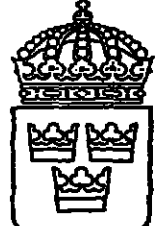
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KINGDOM OF SWEDEN
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CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar steady in thin trading

The dollar was mostly unchanged from Wednesday's closing levels yesterday although it fluctuated during the day on fresh economic data and end of month trading. News of a 0.2 per cent fall in U.S. leading economic indicators was much in line with market expectations while an 11.9 per cent drop in single family home sales was considerably more than expected. However, technical reaction to the end of the month helped to underpin the dollar and it closed at DM 3.0900, down from 3.0870 on Wednesday.

Elsewhere it finished at SwFr 2.8975 from SwFr 2.8975 and ¥251.70 compared with ¥251.70. Against the French franc it closed at Ffr 6.5500 from Ffr 6.5500. Trading was also affected by the current meeting of foreign exchange dealers in Toronto. On Bank of England figures, the dollar's exchange rate index fell to 146.0 from 146.1 on Wednesday.

STERLING - Trading range against the dollar in 1985 is 1.2940 to 1.6225. April average 1.2414. Exchange rate index 79.9

against 79.2, having opened at 80.0 and touching a low in the afternoon of 79.5. The six months ago figure was 79.4. Sterling's level was its highest closing level for a year with the current level of 79.9 interest rates providing firm underlying support. This was enough to offset any concern over a possible reduction in oil prices. Sterling was affected by the lower level of trading and finished at \$1.2745 against the dollar up from \$1.2675.

Against the D-mark it rose to DM 3.9250, its best level since

early February 1984 and up from Wednesday's close of DM 3.900. Elsewhere it rose to SwFr 3.3050 from SwFr 3.2775 and Ffr 11.95 compared with Ffr 11.90. It was also higher against the yen at ¥250.50 from ¥249.00.

D-MARK - Trading range against the dollar in 1985 is 3.4510 to 3.9750. April average 3.6856. Exchange rate index 121.7

against 120.6 six months ago.

The dollar showed little overall change from opening levels in Frankfurt yesterday but was down from Wednesday's close. It finished at DM 3.0770 (dot).

EMS EUROPEAN CURRENCY UNIT RATES

	Unit	Against	% change	% change	Divergence
		from	from	from	from
		central	central	central	central
		rate	rate	rate	rate
		May 30	May 30	May 30	May 30
Belgium franc	40.3300	40.3300	+0.03	+0.03	+0.03
Dutch guilder	2.3636	2.3636	+0.03	+0.03	+0.03
French franc	6.5500	6.5500	+0.03	+0.03	+0.03
German D-mark	3.5360	3.5360	+0.03	+0.03	+0.03
Italian Lira	1.936	1.936	+0.03	+0.03	+0.03
Spanish peseta	166.64	166.64	+0.03	+0.03	+0.03
Swiss franc	2.00	2.00	+0.03	+0.03	+0.03
Portuguese escudo	200.48	200.48	+0.03	+0.03	+0.03

Changes are for 1985, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT-FORWARD AGAINST POUND

May 30	Day's spread	Close	One month	% Three months	% p.s.
U.S.	1.2940-1.2950	1.2940-1.2950	0.53-0.50c	4.85	1.15-1.40pm
Canada	1.2930-1.2940	1.2930-1.2940	0.43-0.34c	4.80	1.15-1.40pm
Denmark	7.46-7.47	7.46-7.47	0.27-0.26c	3.57	1.15-1.40pm
France	6.55-6.56	6.55-6.56	0.03-0.02c	0.03	1.15-1.40pm
Germany	3.92-3.93	3.92-3.93	0.03-0.02c	0.03	1.15-1.40pm
Italy	1.93-1.94	1.93-1.94	0.03-0.02c	0.03	1.15-1.40pm
Norway	11.90-11.91	11.90-11.91	0.03-0.02c	0.03	1.15-1.40pm
Sweden	11.30-11.31	11.30-11.31	0.03-0.02c	0.03	1.15-1.40pm
Switzerland	2.00-2.01	2.00-2.01	0.03-0.02c	0.03	1.15-1.40pm
Japan	250.50-251.00	250.50-251.00	0.03-0.02c	0.03	1.15-1.40pm
Australia	1.40-1.41	1.40-1.41	0.03-0.02c	0.03	1.15-1.40pm
South Africa	1.40-1.41	1.40-1.41	0.03-0.02c	0.03	1.15-1.40pm
U.A.E.	1.40-1.41	1.40-1.41	0.03-0.02c	0.03	1.15-1.40pm

Belgian rate is for convertible francs. Financial franc 79.30-79.40. Six-month forward dollar: 2.80-2.85c. 12-month 4.00-4.05c.

DOLLAR SPOT-FORWARD AGAINST DOLLAR

May 30	Day's spread	Close	One month	% Three months	% p.s.
U.S.	1.2940-1.2950	1.2940-1.2950	0.53-0.50c	4.85	1.15-1.40pm
Canada	1.2930-1.2940	1.2930-1.2940	0.43-0.34c	4.80	1.15-1.40pm
Denmark	7.46-7.47	7.46-7.47	0.27-0.26c	3.57	1.15-1.40pm
France	6.55-6.56	6.55-6.56	0.03-0.02c	0.03	1.15-1.40pm
Germany	3.92-3.93	3.92-3.93	0.03-0.02c	0.03	1.15-1.40pm
Italy	1.93-1.94	1.93-1.94	0.03-0.02c	0.03	1.15-1.40pm
Norway	11.90-11.91	11.90-11.91	0.03-0.02c	0.03	1.15-1.40pm
Sweden	11.30-11.31	11.30-11.31	0.03-0.02c	0.03	1.15-1.40pm
Switzerland	2.00-2.01	2.00-2.01	0.03-0.02c	0.03	1.15-1.40pm
Japan	250.50-251.00	250.50-251.00	0.03-0.02c	0.03	1.15-1.40pm
Australia	1.40-1.41	1.40-1.41	0.03-0.02c	0.03	1.15-1.40pm
South Africa	1.40-1.41	1.40-1.41	0.03-0.02c	0.03	1.15-1.40pm
U.A.E.	1.40-1.41	1.40-1.41	0.03-0.02c	0.03	1.15-1.40pm

Belgian rate is for convertible francs. Financial franc 79.30-79.40. Six-month forward dollar: 2.80-2.85c. 12-month 4.00-4.05c.

OTHER CURRENCIES

May 30	£	¥	DM	Notes
Argentina peso	746.30-747.70	585.80-586.40	27.48-27.75	
Australia dollar	1.40-1.41	1.40-1.41	1.40-1.41	
Brazil cruzeiro	6.646-6.655	5.390-5.410	14.04-14.18	
Canada dollar	1.2930-1.2940	1.2930-1.2940	1.2930-1.2940	
Denmark krone	7.46-7.47	7.46-7.47	7.46-7.47	
France franc	6.55-6.56	6.55-6.56	6.55-6.56	
Germany D-mark	3.92-3.93	3.92-3.93	3.92-3.93	
Italy Lira	1.93-1.94	1.93-1.94	1.93-1.94	
Norway krone	11.90-11.91	11.90-11.91	11.90-11.91	
Sweden krona	11.30-11.31	11.30-11.31	11.30-11.31	
Switzerland franc	2.00-2.01	2.00-2.01	2.00-2.01	
Japan yen	250.50-251.00	250.50-251.00	250.50-251.00	
South Africa rand	1.40-1.41	1.40-1.41	1.40-1.41	
U.A.E. Dirham	1.40-1.41	1.40-1.41	1.40-1.41	

* Selling rates.

CURRENCY MOVEMENTS

May 30	Bank of England	Morgan Guaranty	Change %
U.S. dollar	79.9	-0.6	-0.7
U.S. dollar	146.0	+0.4	+0.3
U.S. dollar	112.0	+0.3	+0.3
U.S. dollar	112.0	+0.3	+0.3
U.S. dollar	112.0	+0.3	+0.3
U.S. dollar	112.0	+0.3	+0.3
U.S. dollar	112.0	+0.3	+0.3
U.S. dollar	112.0	+0.3	+0.3
U.S. dollar	112.0	+0.3	+0.3
U.S. dollar	112.0	+0.3	+0.3

Morgan Guaranty changes: average 1980-1982 = 100. Bank of England index (base average 1970 = 100).

FINANCIAL FUTURES

Late fall

Interest rate contracts were generally higher on the London International Financial Futures Exchange yesterday, but finished around the lowest levels of the day. A late rally in U.S. markets overnight led to a strong opening for Eurodollars at \$1.53 for September delivery. The contract was stuck in a narrow range of \$1.51 to \$1.54 ahead of yesterday's economic statistics from the U.S. A fall of 0.2 per cent in April leading indicators was around the general level of expectations, but a revision to a rise of 0.1 per cent from a fall of 0.2 per cent in the March figure encouraged selling. Comments by Mr Malcolm Baldrige, U.S. Commerce Secretary, about stronger economic growth also depressed dollar dominated

contracts, but a surprisingly sharp fall of 11.9 per cent in single family home sales gave only a temporary boost to the market, with some dealers saying the figure was virtually ignored, while others regarded it as an opportunity for selling. After falling to a low of \$1.48, September Eurodollars closed at \$1.50, compared with \$1.42 previously.

Treasury bonds showed a similar trend, with sentiment helped by a better-than-expected result of a six-year bond auction on Wednesday. The strong pound and speculation about bank base rate cuts underpinned three-month sterling deposit futures, but gilts were weaker on life closing near the day's low.

STERLING INDEX

	May 30	Previous
8.30 am	79.9	79.1
10.00 am	79.9	79.2
11.00 am	79.9	79.2
12.00 pm	79.9	79.2
1.00 pm	79.9	79.2
2.00 pm	79.9	79.2
4.00 pm	79.9	79.3

£ IN NEW YORK

	May 30	Prev. close
4 Spot	\$1.2712-1.2723	\$1.2710-1.2720
1 month	\$1.2712-1.2723	\$1.2710-1.2720
3 months	\$1.2712-1.2723	\$1.2710-1.2720
12 months	\$1.2712-1.2723	\$1.2710-1.2720

Forward premiums and discounts apply to the U.S. dollar.

LONDON

	Close	High	Low	Prev
Three-month Eurodollar \$1m	92.12	92.18	92.12	92.07
June	91.50	91.57	91.48	91.42
Sept	91.04	91.12	91.05	90.99
Dec	90.87	90.95	90.88	90.84
March	90.36	90.42	90.32	90.29

CHICAGO

	Close	High	Low	Prev
Three-month Eurodollar \$1m	92.12	92.18	92.12	92.07
June	91.50	91.57	91.48	91.42
Sept	91.04	91.12	91.05	90.99
Dec	90.87	90.95	90.88	90.84
March	90.36	90.42	90.32	90.29

U.S. TREASURY BONDS (CBT) %

	Close	High	Low	Prev
Three-month	76.04	76.15	76.02	76.00
June	75.07	75.24	75.04	75.02
Sept	74.07	74.24	74.04	74.02
Dec	73.07	73.24	73.04	73.02
March	72.07	72.24	72.04	72.02

U.S. TREASURY BILLS (IMM) \$1m

	Close	High	Low	Prev
Three-month	92.12	92.18	92.12	92.07
June	91.50	91.57	91.48	91.42
Sept	91.04	91.12	91.05	90.99
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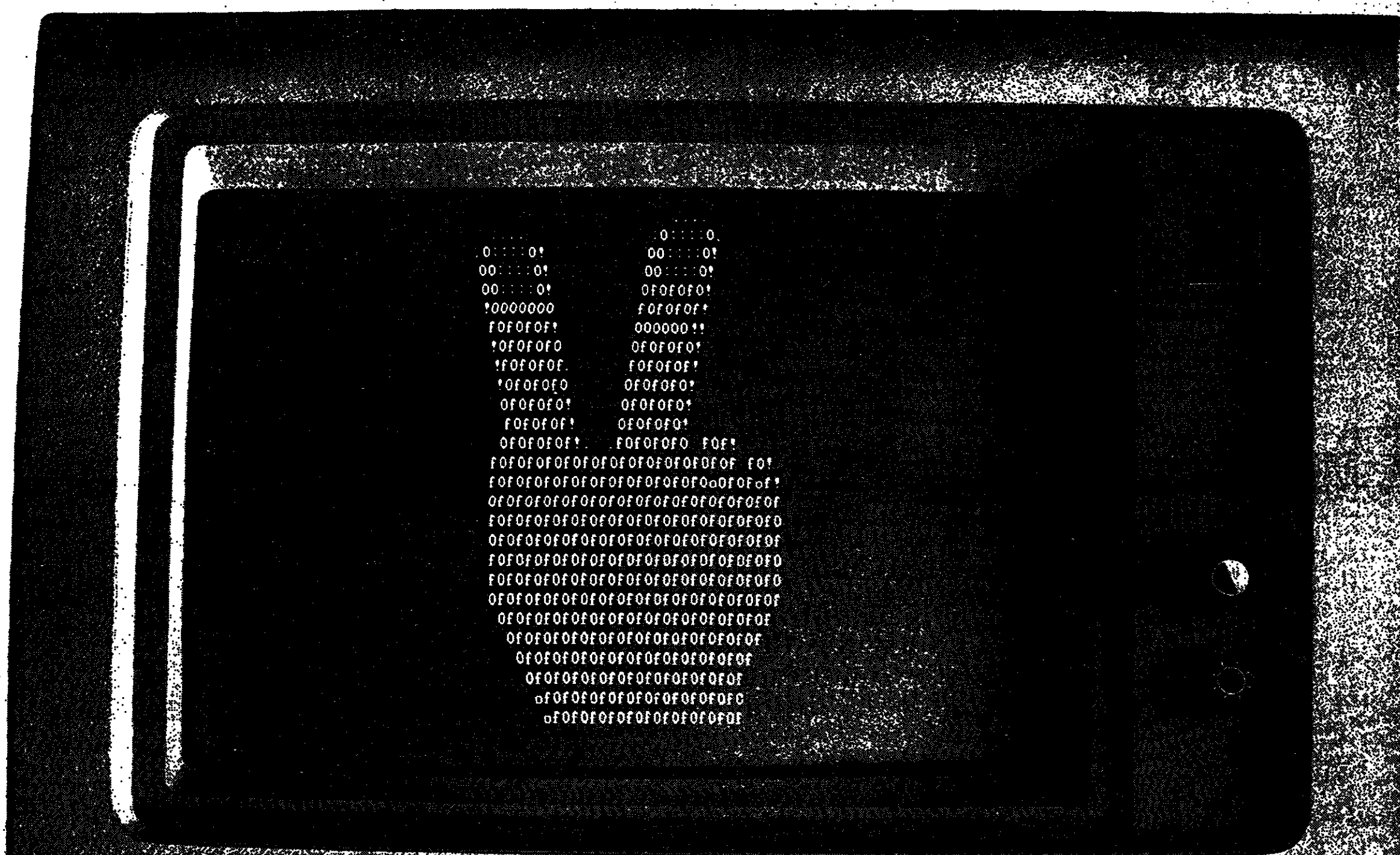
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Switzerland

The Swiss are rich and doing well. Their economy has accumulated a lot of financial muscle. But they know that deregulation of financial markets elsewhere and technological change are a challenge that must be met if they are to hold their place in the world.

Top league gets tougher

By William Dullforce
Geneva Correspondent

CAN THE Swiss keep going? The question being asked, not for the first time in the past few decades, is whether the Swiss can continue to generate the growth in wealth which has brought them small and unique confederations its unmatched material privileges.

Previously the question has always proved to be unnecessary and it seems absurd at the present, when the gross national product is set for annual increases of 2.5 per cent over the next couple of years, the banks are churning out record profits and the engineering companies have started to eliminate their losses.

It is significant, too, that the question is most frequently raised in banking communities outside Switzerland. The doubt expressed—and it is not untinged with envy of past performance—is whether the Swiss financial system can adjust to the fiercer competitive climate expected to be engendered by the deregulation of financial markets in New York, London, Frankfurt and Tokyo.

Similar comments can be heard about the Swiss workshop, that relatively small group of machinery manufacturers, watchmakers, chemical and food

concerns, which together with the Swiss financial centres provides the underpinning for Swiss prosperity.

The troubles in the watch-making industry have been evident for some time but now one hears as well reports of sclerosis in major engineering companies. Their less than brilliant performance in the past couple of years, it is suggested, reflects tardiness in adopting modern manufacturing techniques and in seeking new products and markets.

In its crudest form, the view is that the Swiss have been living for too long off the fat of foreign funds and accumulated profits, and are now facing their come-uppance.

From inside Switzerland the argument appears to be grossly exaggerated. A lot of "fat" has been converted into considerable financial muscle in the untaxed reserves of the banks and the big companies and, slow as its reactions may sometimes be, Swiss society's peculiar amalgam of corporate self-interest and local political autonomy has proved historically to be flexible enough to cope with challenges.

The Swiss are not denying that there is a challenge. Consider this passage from the report to the annual general meeting of Credit Suisse by Mr. Rainer Gut, the chairman.

"For Switzerland, the international financial environment of the future will not be an easy one. There is every possibility that ground will be lost.

Some might be tempted to sit back and accept this, arguing that a healthier world economy is bound to involve a scaling-down of Switzerland's financial position... but such an attitude would be dangerous. Success in competing with the big nations has always been the key to Switzerland's prosperity and will remain so in the future."

In the context, the reference to "big nations" could have been to the singular Mr. Gut, noting the "Machiavellian ruthlessness" with which international competition in finance is often conducted, went on to appeal for support at home against "attacks on Swiss banking practices" which could undermine Switzerland's advantages and shift the competitive balance in favour of foreign centres.

Pressure

He did not spell it out but had in mind the pressure exerted by the U.S. over the past few years on Swiss banking secrecy. He is obviously unhappy about some of the concessions made to this pressure by the Swiss federal authorities. "Rather than compromise automatically with every foreign demand, Switzerland must clearly state and energetically uphold its own interests and legal system," Mr. Gut said.

The American pressure has come in the shape of demands from the U.S. department of Justice and the Securities and Exchange Commission for help in identifying and prosecuting cases involving tax fraud and unlawful insider trading in stocks allegedly perpetrated in the U.S. by individuals using Swiss bank channels.

Implicit in the American attitude has been a threat to Swiss banking and corporate

interests in the U.S., unless cooperation was forthcoming. The Swiss have responded by concluding a treaty on mutual legal assistance with the U.S. and complementing it with a memorandum of understanding covering instances of insider trading. A Bill banning insider trading has just been sent to the Federal Parliament.

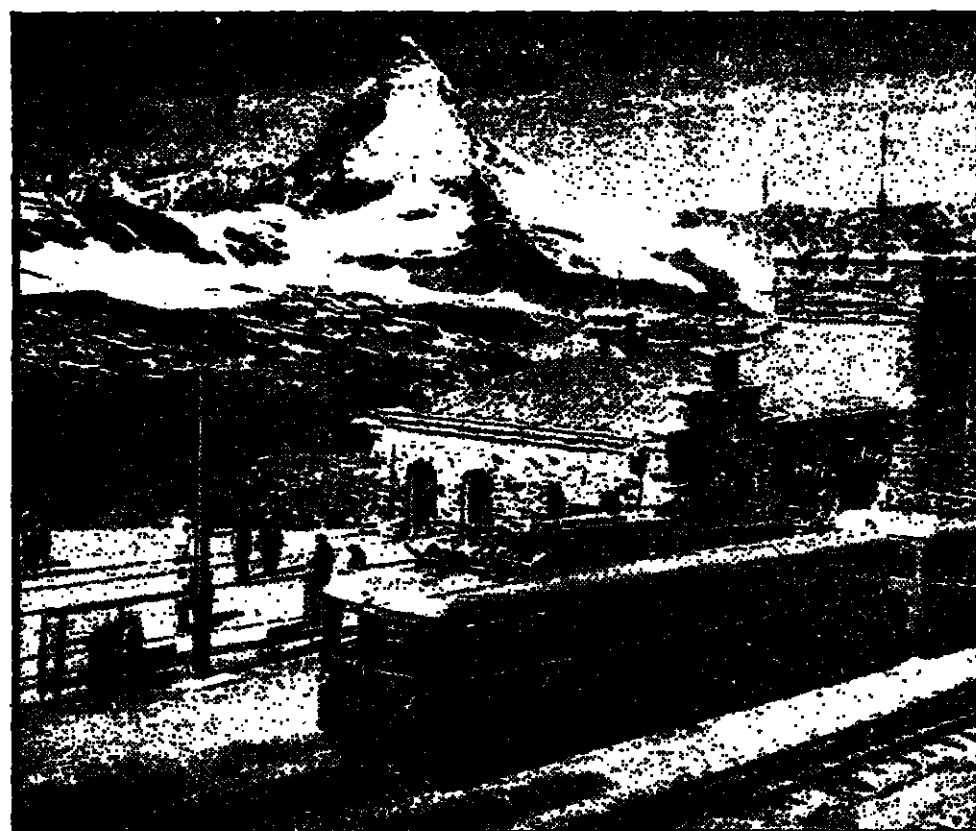
On the other hand, in a referendum last year Swiss voters rejected by an overwhelming majority a proposal to relax Swiss banking secrecy, which is embedded in statutes forbidding bank or corporate officials from passing on information about customers.

The dispute, coloured by the moralistic flavour of the American approach and the commercial libertarian attitude of the Swiss, mirrors some fundamental differences. For the Swiss, taxation is a necessary evil, best kept within limits. The Americans object to big players on their financial markets operating under the protection of legal systems which could help them circumvent U.S. law.

In the recent situation of intensified competition on world financial markets, not least from the big U.S. banks, many Swiss bankers do see something Machiavellian in American legal pressures which could deprive them of a major comparative advantage: the anonymity they can offer their customers.

The real issue for the Swiss banks is to keep the outside world depositing money into their keeping. This depends on comparative advantages other than banking secrecy, for instance, on an efficiency operating Swiss banking system providing all-round services worldwide.

Again, it is suggested that complacency has been creeping up on the Swiss and that they



The Matterhorn above Zermatt overshadows the Gornergrat rail terminus

are not yet alive to the new opportunities opened by deregulation, nor geared to exploit them.

The big Swiss banks have, at any rate, responded aggressively over the past 12 months, buying stockbroking houses and banks in London and West Germany, building up their assets in the U.S. and sharpening the dialogue over reciprocity with the Japanese.

At home, the reaction has been more mixed and perhaps less decisive. The big banks are spending heavily on improved electronic equipment and all banks are lobbying vigorously for the removal of remaining fiscal and regulatory constraints, such as the stamp duty on securities transactions.

However, corporate strategies appear to differ over how best to attract the institutional investors who are playing an increasingly bigger role.

Foreign bankers see a surprising idiosyncrasy in the modernisation of the Swiss securities market and in providing the stock exchanges with

new trading instruments, which are being developed elsewhere, to offer customers opportunities for hedging risks.

The comparative advantages of the Swiss banking and insurance markets and the smooth transfer of employment from manufacturing to these expanding services have been regarded for years as positive features of the Swiss economic and social scene.

With expansion in the financial services under challenge, concern is naturally being voiced about the health of the manufacturing industry, which declined sharply in relative importance during the 1970s, but still provides some 27 per cent of the combined value added.

Innovative

The concern has recently focused on the innovative capacity of Swiss industry, about which doubts have been expressed.

Companies are said to have been sluggish in exploiting new techniques (the watchmakers) and to be spending too much

time and resources refining existing products, for which demand has been stagnating (machinery manufacturers). It is also said that not enough is being done to provide venture capital for small companies and to stimulate the introduction of new manufacturing techniques.

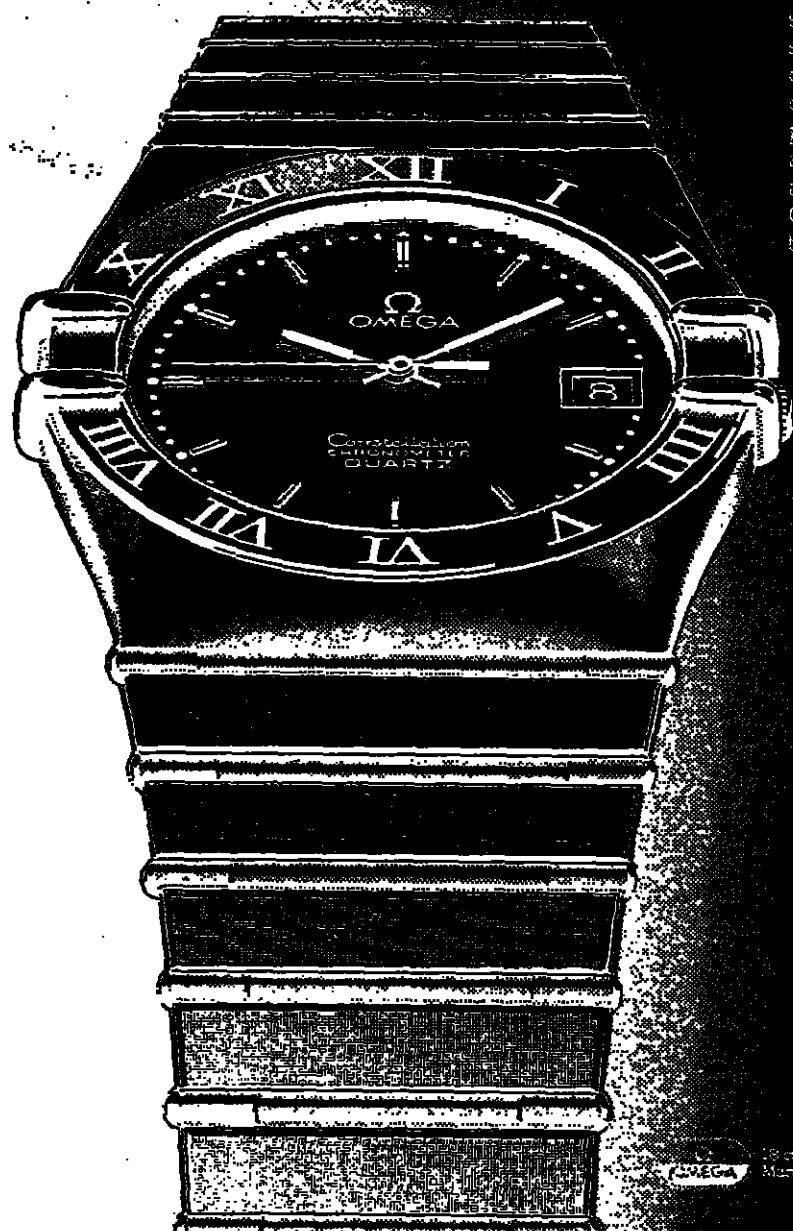
Spending on research and development by Swiss industry at about SwFr. 550 (\$213) per head of population is high by international standards. However, Mr. Marc Moret, the chairman of Sandor, one of the big three chemical companies, recently put his finger on two weaknesses: too much goes to development rather than to research and 95 per cent of the total is spent by just two sectors, the chemical industry and the machinery manufacturers.

Other companies, including those in services, should make a greater contribution, Mr. Moret suggested—an obvious nod in the direction of the banks whose efforts to furnish venture capital and to finance research in smaller companies have been rather nonchalant.

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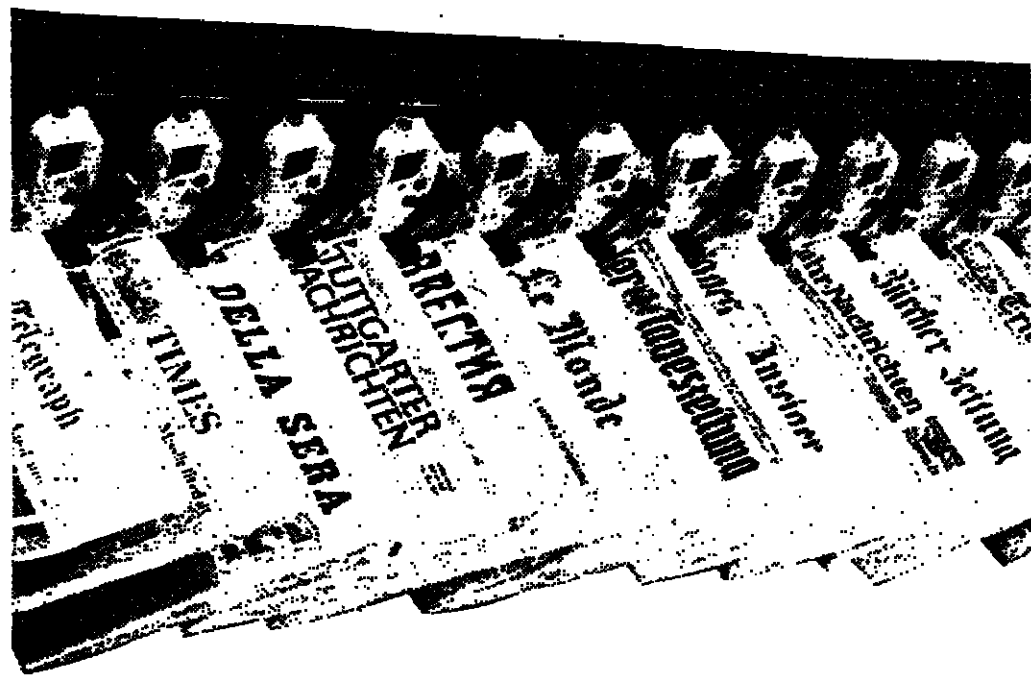
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Switzerland 2

A strategy that fits world trends

Economy

W. L. LUTKENS

THE ZÜRICH banker and economist waved aside a question about the state of the Swiss economy. "There's nothing much to be said about us," he smiled. "We're doing well."

So they are. A period of cyclical expansion is reaching its peak, but real growth is expected to continue in 1986. The money supply is under control and though both the inflation rate and unemployment have crept up a bit, most other European industrialised states would be happy to be doing as well in these areas.

There are catches. As is typical for a mature economy, productivity growth over the medium term has been slow. The labour market is not quite as idyllic as it looks. Above all there is an argument, stoked up by a recent critical publication of the Organisation for Economic Co-operation and Development (OECD), whether Swiss industry can cope with the worldwide rush into ever higher new technologies.

To take the short-term first. Gross domestic product, in the view of the forecasters at the Helvetic Technical University in Zürich, will grow by 2.3 per cent this year and by another 2.5 per cent in 1986. The current upswing began late in 1982 with a stimulus to private consumption given by a favourably high exchange rate.

Boost to exports

Public consumption followed in 1983 and then a reversal of the exchange rate, as the U.S. dollar soared against the Europeans, gave a boost to Swiss exports. Previously, the expansion had been largely imported.

In the meantime, rising economic activity has given a stimulus to the investments of industry in capital equipment, though demand for industrial building remains low. The implication is that entrepreneurs are not especially interested in expanding capacities but are concentrating upon rationalisation.

The tendency in the mechanical engineering industry is towards more sub-contracting, reflecting both a refusal to create capacities that may not be required beyond the short term, as well as a perfectly

Performance and prospects

	1984	1985	1986*	1984	1985	1986*
				% change from previous year		
Domestic demand	109.2	112.2	115.1	2.0	2.7	2.6
Exports of goods	38.3	40.5	42.2	6.4	5.5	4.3
Exports of services	10.2	10.5	10.9	3.5	3.5	3.5
Total exports	48.5	51.0	53.1	5.8	5.1	4.1
Total demand	157.7	163.2	168.2	3.1	3.5	3.1
Imports of goods	47.3	50.2	52.3	7.3	5.0	4.3
Imports of services	5.9	6.1	6.3	4.0	3.5	3.5
Total imports	53.7	56.3	58.6	6.9	4.8	4.2
Change in stocks†	0.3	0.8	0.6	—	—	—
Gross domestic product at market prices	106.3	109.7	112.1	2.6	3.2	2.2
Interest, dividends, wages and salaries received from abroad	11.6	11.8	11.8	10.9	1.9	0.5
Interest, dividends, wages and salaries remitted abroad	4.3	4.3	4.4	0.7	1.9	1.9
Gross national product at market prices	113.6	117.1	119.5	3.4	3.1	2.0

* Forecasts. † Including statistical discrepancy.
Source: Economic Research Office at Helvetic Technical University, Zürich.

healthy trend towards increasing specialisation of individual enterprises.

Such specialisation has enabled Switzerland to hold on to a 2 per cent share in world exports, markets, gross value added in its share in world economic activity. None the less the Swiss regularly run a deficit on their trade in goods and services. It is equally regularly more than made up for by a surplus on dividends and interest payments which keeps the current account in almost constant surplus.

The manner in which the current economic upswing has developed shows the importance of the exchange rate to the Swiss economy with its close integration into world markets. Exports and imports of goods and services amount to 43 per cent and 47 per cent of gross national product respectively.

Given such amounts the future course of events cannot but be profoundly affected by the dollar exchange rate, seeing that the U.S. is Switzerland's second largest trading partner.

In their forecasts published in March, the experts at the Zürich Technical University predicted that the real exchange rate of the Swiss franc, weighted and adjusted for different national inflation rates, would fall by 4 per cent this year, even more than last year's 3.3 per cent. That forecast for 1986 looks on the high side both because the U.S. dollar no longer is as strong as it was, and because the Swiss inflation rate at the moment is higher

than the German rate.

As a combined result of growth beginning to slow down in 1986 and of the priority which Swiss economic policy allots to price stability, the nominal exchange rate may once again begin to rise next year, especially if West Germany, the main trading partner and competitor of the Swiss, should switch to a more expansionary policy.

Monetary control is the instrument with which the bank seeks to check the domestic price level and has done so rather successfully. The target for the expansion of the central bank money stock this year is 3 per cent, the same as in 1984. The longer-term objective is to come down to expansion averaging 2.5 per cent each year.

Greater burden

In Switzerland the burden imposed on monetary policy is greater than in most other countries, because the scope for fiscal policy as a means to influence the economy is narrow or non-existent. The reason is that tax changes, both at national and at local level, are always liable to be overruled by popular referendum, and popular opinion is committed to the idea of a balanced budget.

As a result, fiscal policy is by nature restrictive, both in the short and longer term. The aggregate deficits of all levels of government have been brought down from about 2 per cent of gross domestic product

in the early 1970s to 0.9 per cent in 1983. That trend is likely to continue.

It is a remarkable fact that in spite of fiscal and monetary policies, both of which are restrictive, Switzerland has got away with an unemployment rate that averaged a mere 1.1 per cent in 1984 and is expected to come down to 1 per cent this year.

The usual explanation for such low unemployment is the great flexibility of the Swiss labour market. The army of foreign labourers has increased or declined in keeping with needs and marginal Swiss labour, especially part-time women workers, have tended to drop out of the labour force in bad times. That is beginning to change as migrant labourers increasingly receive long-term residence permits instead of being allowed in for one year at a time and as more liberal benefits cause most Swiss residents to sign on as unemployed when the need arises.

As a result, the labour market developed very differently in the last two recessions. In the mid-1970s 200,000 migrants' jobs and another 100,000 jobs done by Swiss disappeared. In 1981-1983 the losses were shared equally by 20,000 migrants and 20,000 residents.

The new pattern also means that some flexibility has been lost and that unemployment is on a rising longer-term trend. But as Prof. Jean-Christophe Lambelet, head of the Institute of Applied Economic Studies at Lausanne University puts it: "Unemployment is creeping up. It is not leaping up."

Low to non-existent unemployment is a cornerstone of the consensual system that has all but banished strikes from contemporary Switzerland and has largely committed the trade unions to a policy of wage moderation. In its last report on the country the OECD suggested that such moderation might explain the relatively low growth of productivity over the medium term because there was less encouragement to substitute capital for labour. The criticism needs to be taken in context.

Productivity may be growing slowly, but it is quite obviously high in absolute terms: how else can one explain the continued success of Swiss exports on world market, given that Swiss wages are among the highest in the world?

Swiss experience with the consensual system has been relatively free of the rigidities that consensus has created in some other countries. As has been seen, the labour supply is flexible. So to a considerable extent are wages since there is widespread scope for decentralised bargaining. But Prof. Lambelet points out that there are certain other rigidities in the Swiss economy. Margins on imported goods tend to be kept high and food prices must be among the highest in the world.

The OECD has been sceptical about the ability of Swiss industry to hold its own in the development of innovative technologies.

A challenge

Switzerland, in fact, allowing for its size, is among the world's big spenders on research and development. It was equivalent to 2.3 per cent of gross domestic product in 1983 according to a recent study from the chambers of commerce organisation. That constitutes a marginal decline from the 2.5 per cent of 1981 when the Swiss were the joint leaders with the U.S.

Traditional industries, meaning mechanical engineering and chemicals, account for 95 per cent of this spending, giving rise to the charge that Switzerland is perfecting technologies of the past rather than those of the future.

Some criticism is made within Switzerland of the academic world which, it is said, is not sufficiently flexible to adapt to technological change. The fact that there were no courses in computer sciences at the Technical University before 1981 support the charge.

The Government has proposed a modest programme of guarantees to encourage private and corporate investors to support innovative ventures of smaller enterprises. It was watered down by the Parliament and may never come to life because the opposition has been sufficiently strong to have the proposal submitted to popular referendum in September.

Opposition to such a scheme springs from many sources: dislike of state intervention in business, fears of awkward competition; but also from the belief of many seasoned economists that a country as rich as Switzerland can always buy in new technologies.

At first that sounds unambitious and even dangerous. In practice it may be in keeping with the tried Swiss strategy. As a small country, Switzerland has excelled in finding market niches and in specialisation: mass production is not the Swiss way. It is a strategy that requires fitting in with world trends, rather than leading them.

PROFILE: PIERRE LANGUETIN

National Bank's quiet diplomat



Pierre Languetin, chairman of the National Bank: his image is that of a French "haut fonctionnaire".

"THE DIPLOMAT replaces the salesman" is how a Swiss banker described the change, when M. Pierre Languetin took over from Mr Fritz Leutwiler as chairman of the National Bank this year. The witticism pointed accurately to the change in style.

It said nothing about possible changes in the message from the central bank, perhaps because the speaker, like most Swiss bankers, knew too little about M. Languetin.

A Vaudois from the French-speaking part of Switzerland, M. Languetin's image most closely resembles that of a French haut fonctionnaire, whose career has been devoted to the service of the state and eschewed the personalised touch. There is no gossip about him.

In fact for several reasons the message from the National Bank is unlikely to change under his administration. The National Bank has been running a successful monetary policy for the last few years since in fact it set about repairing the damage caused in 1978 when Switzerland followed the West German example, allowed an expansion of the money supply and released the hounds of inflation.

Stability

As a member of the three-man governing board of the Bank M. Languetin put his signature to that policy. On the board he is primus inter pares (he draws the same salary as Mr Marcus Lusser and Mr Hans Meyer, the other members) and he is less likely than Mr Leutwiler to try to impose his views on his colleagues.

Furthermore, in his first public statements he has underlined continuity of National Bank policy. When asked what mark he would hope to leave on the bank during his three-year tenure (he reaches retiring age in 1988), he stresses his dedication to the constitutional charge on the bank to ensure price stability.

But what line would M. Languetin, a rather unknown quantity to the bankers, be likely to take, should the

Swiss currency, the economy or the banks run into difficulties? "It is not our job to rescue banks. If a bank got into trouble, we would limit our responsibility to safeguarding the system."

He expounds free market principles: "It is not our job to rescue banks. If a bank got into trouble, we would limit our responsibility to safeguarding the system."

On broader policy issues the key to M. Languetin's possible reactions lies in his career: he is a negotiator. Before he became a member of the National Bank governing board in 1976, he had helped to form the European Free Trade Association and to negotiate Switzerland's free trade agreement with the EEC and its accession to the International Energy Agency.

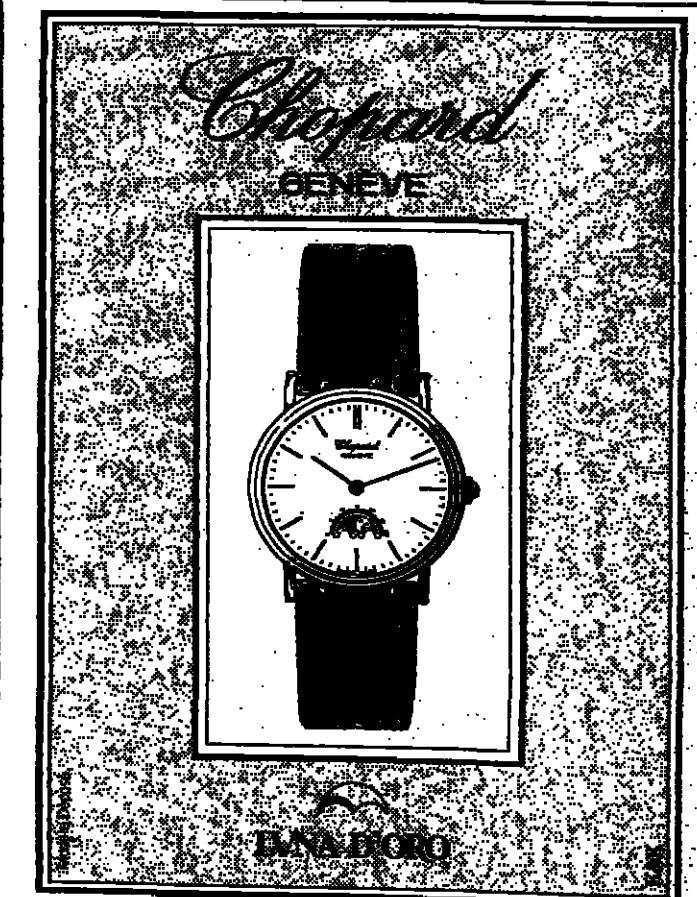
He is not the intellectual snob that such a reply may suggest in cold print. Although he does not talk readily about his private life, he enjoys his three young grandsons, reads detective novels and likes gardening and do-it-yourself jobs.

He is fascinated by the writings and career of General Charles de Gaulle, the Free French Leader in World War II and later creator and first President of France's Fifth Republic. The aspect he most admires was de Gaulle's "power to translate words into reality."

M. Languetin clearly relishes the international aspects of his new job, in particular the meetings of the Group of Ten leading industrial countries (which, he suggests, should be renamed Group of 11 now that Switzerland has become a full member).

It is through this Group, he believes, that Switzerland has the best opportunity of influencing international monetary developments. This may be where the diplomat-chairman of the National Bank will, in his quiet way, leave his mark.

William Dullforce



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trends

Productivity may be slow, but it is still high in Switzerland. The country's success in the world market, even in the face of a strong dollar, is due to its high productivity. Swiss exports are among the highest in the world.

Swiss exports are among the highest in the world. The country's success in the world market, even in the face of a strong dollar, is due to its high productivity. Swiss exports are among the highest in the world.

A challenge

Switzerland, in fact, is not a small country. It is a country of 2.5 million people, with a high level of productivity. The country's success in the world market, even in the face of a strong dollar, is due to its high productivity. Swiss exports are among the highest in the world.

Public Issues in Switzerland

Year	Swiss Francs (m)		Shares (issue value)
	Domestic bonds (new money)	Foreign bonds (new money)	
1981	6,987.1	7,515.0	2,041.3
1982	9,008.4	9,974.5	559.7
1983	8,773.3	10,261.8	1,027.3
1984	6,920.9	11,150.2	1,688.8
Jan-Mar. 1985	2,170.7	2,832.1	115.2

Safety first steers system clear of risks

Capital Markets

JOHN WICKS

HEAVY FOREIGN demand for Swiss franc debt set the pace for Swiss capital markets over the past year. Total foreign borrowings subject to National Bank approval reached a new record of well over SwFr 40.6bn (£12.41bn) in 1984. Of this total, SwFr 11.5bn took the form of public bond issues, or 60 per cent more than the new-money total for domestic bonds.

This year, foreigners are still in the forefront. While a drop in export and finance credits led to a slight decline of overall foreign borrowings in the first quarter, a further increase in the long-term sector offset the continued downward trend in domestic issues. The huge market in medium-term notes picked up again after a slight drop in 1984, with total issues of over SwFr 5.6bn in the first three months alone.

As always, the Swiss are highly successful in attracting first-class debt to their bond markets. In the first quarter of 1985, for example, industrialised countries accounted for well over three quarters of the foreign-borrowing total of SwFr 11.54bn, with the lion's share of the remainder lent out to virtually gilt-edged development organisations. A long-standing policy of safe, if unadventurous, loan portfolios has kept the country's banking system largely unaffected by serious sovereign risks.

Securities

In all, this year seems set fair to break new records in the Swiss franc capital market. This is indicated by figures from the Zurich bourse—the Continent's biggest—showing a rise in securities trading in the canton from SwFr 78.1bn in the first quarter of 1984 to almost SwFr 108.4bn in the corresponding 1985 period; last year had, it should be noted, already seen a 16 per cent rise in turnover to a record SwFr 308.4bn.

The foreign-bond business will doubtless expand even faster after a decision this month by the Swiss National Bank to lift a SwFr 200m ceiling on each individual issue. The inability to float larger sums had led some potential foreign borrowers including governments—to take their custom to other countries or to the Swiss medium-term note sector.

Demand on the part of the investing public has been fuelled by the weaker dollar and generally lower interest levels. This showed up particularly on the share market, where the Swiss Bank Corporation index on May 21 reached the all-time high of 464.8 points. The importance of this is underlined by the fact that it took until this year for the index to pass a peak set as long ago as 1972.

Equity markets may be expected to continue strong, not least in the light of an overall improvement in corporate results and initial signs are that 1985 figures will be at least as good and probably better. Not many new shares are being issued, though, and there seems to be a slowdown in first-time listings.

Switzerland's bourses will, in fact, be expanding their operations quite substantially in the coming years. The Geneva and Basle bourses move into new premises in late 1985 and early 1986, respectively, while a local referendum will next month

Banking

WILLIAM DUFFLORCE

THE SWISS banks packed some solid profit and balance sheet growth under their belts last year, adding to the already impressive capital strength with which they are staking out positions on the deregulated world financial markets.

Nevertheless, while the annual reports offer satisfying evidence of the health of the banking industry, the statements by the chairman of the big banks to their annual general meetings reflect some pre-occupation (doubt would be too strong a word) with the industry's capacity to meet the challenges from abroad.

Mr Rainer Gut of Credit Suisse points out that Swiss banks, which have long operated as all-round banks offering customers a full range of service, are losing that competitive advantage as deregulation takes effect abroad.

Mr Franz Galliker of Swiss Bank Corporation (SBC) sees a contradiction between this deregulation and the more rigorous supervision and reporting requirements to which the banks are being subjected by regulating authorities at home. The debate about the future of

Switzerland as an international financial centre goes on.

The figures show that asset growth among all the banks reporting to the National Bank averaged 10 per cent in 1984. The increase was certainly assisted by the strength of the dollar. Among the three big banks the growth ranged from 9 per cent at Credit Suisse to 14 per cent at Union Bank of Switzerland (UBS).

The net earnings reported by the big five (adding Swiss Volksbank and Bank Leu) climbed by between 13 per cent and 21 per cent. Among the big three the return on equity was in the 8-10 per cent range. Profit growth is reported to have maintained its pace during the first three months of this year and forecasts for 1985 as a whole are cautiously optimistic.

Commissions

Some 45 per cent of the big banks' gross income comes from commissions and dealing in foreign exchange and precious metals. By contrast they achieved only a 1.6 per cent margin on their interest-bearing assets, much lower than that realised, for instance, by the West German banks.

The National Bank reported a 24 per cent rise in fiduciary deposits in the Swiss banks to a total of over SwFr 250bn (£97bn) last year—an indication of the surge in the off-

balance sheet business of the banks.

The balance sheets, indeed, provide only a partial assessment of the Swiss banks' financial muscle, since they are not obliged to report all their reserves. This latent capital is generally accepted to be substantial and reinforces a capital-to-assets ratio of well over 5 per cent, the highest for any of the industrialised countries.

Moreover, UBS and SBC both report charge-offs on bad debts equivalent to 0.13 per cent of their total loans, a ratio which is only about a quarter of that currently shown in the accounts of American banks.

Swiss banks' commitments to the so-called problem countries are less than SwFr 25bn, equivalent to roughly half their capital and reserves. The sums owed to some leading U.S. banks by only three countries—Brazil, Mexico and Venezuela—are double own resources of those banks.

In assessing the prospects for Switzerland as a financial centre it must not be forgotten that the banks have for many years benefited from a liberalised regime and have been able to develop strong international outposts. The daily volume of turnover of the Swiss foreign exchange market is put at around \$20bn. That is only about half the size of London's and is

also smaller than Frankfurt's but it is still a large volume.

In face of the deregulation in New York, London and, perhaps Tokyo the Swiss thus have international positions to defend and the financial strength to do so. A senior UBS executive makes the point:

"UBS is very strong as far as capital goes: we can cope with big business volumes and, if necessary, big exposures. Our policy must be to exploit this comparative advantage and we are going to do so."

Deregulation

Indeed, UBS has been putting this prescription into practice over the past few months, notably by buying a 29.9 per cent stake in Phillips and Drew, the London stockbroker, and announcing its intention of taking full control when allowed.

Credit Suisse has been equally aggressive, buying into London's Buckmaster and Moore, acquiring two West German banks and pushing strongly for a licence to do trust banking in Japan. SBC has applied for a full licence for its branch in Frankfurt and has been reinforcing with both capital and staff its branches and subsidiaries outside Switzerland.

The chairman's preoccupations about their banks' competitive capacity are concerned largely with the domestic situation. This remains the case even though in a referendum last May the Swiss voters turned down by a three-to-one majority a constitutional amendment which would have relaxed the country's bank secrecy laws.

The concern is now focused on three main issues: the stamp duty, the revision of the Banking Act which has long been in the pipeline, and the modernisation of the stock exchanges.

The stamp duty is applied across the board to all trading in bonds and securities and, in the banks view, is a particular obstacle to the foreign-to-foreign business in which Switzerland is supposed to specialise as a turntable for foreign capital flows.

The attitude of Mr Otto Stich, the Swiss finance minister, has been that the duty can be abolished, provided its contribution to federal revenue (a not unimportant SwFr 1.3bn last year) can be replaced by other means.

After the referendum the Government dropped its proposals for a total revision of the Banking Act and started to work on a partial revision. The banks oppose the Government's wish to incorporate into the

Act the agreement with the National Bank under which they undertake to exercise care over the sources of their deposits. The proposed amendment would oblige the banks to satisfy themselves about the identity of the "beneficial owner" of the funds. This is intended to prevent funds of dubious origin from being accepted.

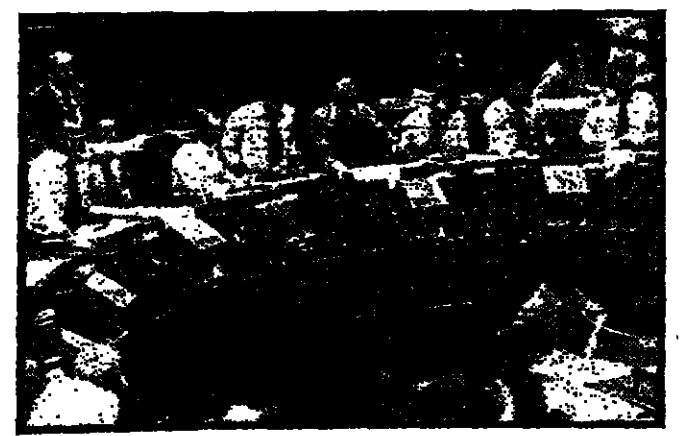
Stockbroking

Another proposal, which the National Bank has favoured, is that official regulation should be extended to cover finance companies. This raises technical questions about the definition of a finance company.

The big banks dominate the Swiss stock exchanges by virtue of the weight of their own stocks on the domestic market, their stockbroking role and their control over the running of the trading rings. The need to renovate the exchanges, both in equipment and trading instruments, is recognised but—at least in the view of some foreign bankers—action has been tardy.

Tentative plans for the introduction of index options in shares and bonds in two years' time have been announced but the argument about whether the Swiss exchanges need to offer the full range of futures and options being offered abroad is still going on.

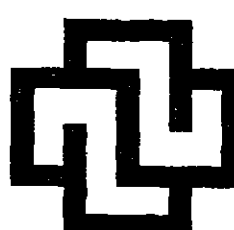
The factors that make Switzerland a leading financial market



Trading on the Zurich Bourse.



Bank Leu



Credit Suisse



Swiss Bank Corporation

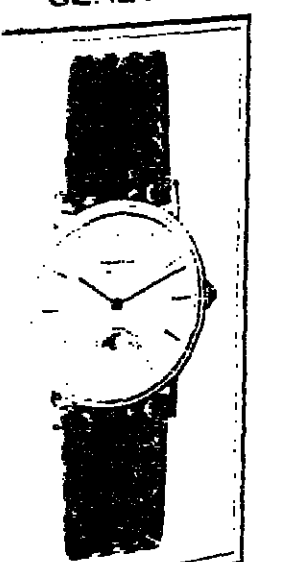


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Switzerland 4

How the industrial sectors are faring in world markets

Pulling out of recession

Mechanical Engineering

JOHN WICKS

THE SWISS engineering industry is in the process of recovering from one of its steepest declines ever. The export-oriented machine builders had been badly hit by the international recession of the early eighties, particularly since the small domestic market was in no state to compensate for flagging business abroad. By the second half of 1983, order books were the thinnest on record.

The past year has seen a general improvement, largely reflecting the growth in capital-goods demand from major export markets. This, together with more favourable exchange rates, led to a 7.3 per cent increase in foreign billings for machinery, apparatus and precision-engineering products. According to a recent study by the Zurich-based Bank Vontobel, engineering companies with stock exchange listings turned a combined 1983 loss of over SwFr 100m into a 1984 profit of nearly SwFr 200m.

Results for 1984 still not much to write home about. The Swiss Association of

Machinery Manufacturers (VSM) puts the growth of members' turnover at little more than 3 per cent during the year, or hardly more than Swiss inflation, while actual output seems to have fallen.

Among the leading manufacturers, Sulzer and Von Roll booked a further group loss and Georg Fischer a minimal consolidated surplus, while Oerlikon-Bührle expects about a "balanced" profit-and-loss account. More important than these historic data, however, are the definitely encouraging signals from the corporate salesmen. Despite a slight drop in the value of home-market orders last year, the VSM reports a rise of more than 20 per cent in total new orders during 1984. The VSM has announced that total new orders reached a quarterly record in the first three months of this year, reaching SwFr 5.3bn on the part of 200 member firms. Within this total, export orders were up by 6.9 per cent over the corresponding first quarter of 1984—despite the large single contract for a Turkish power station placed early last year—to SwFr 3.5bn due partly to orders booked by Swiss licensees for parts of the "Leopard II" tank, domestic orders were higher by 23.7 per cent at SwFr 1.8bn.

The probable upswing will hardly be limited to the manufacturers' Swiss operations. Given the general improvement in the international economic climate, most foreign production subsidiaries should also have a better year.

Whatever the case, the industry is in better shape today than a couple of years ago. The unexpectedly long spell in the doldrums led manufacturers to tackle structural problems which did not look like solving themselves. Large-scale "re-dimensionalising" projects were launched to cut costs and revise production programmes. The results can already be seen in improved operating economics.

The effects of restructuring have been noticeable in Switzerland itself. By the fourth quarter of last year, the total number of employees in the machine, apparatus and vehicle manufacturing industries had dropped to under 237,000—or less than 88 per cent the 1975 figure.

It seems unlikely that there will be much, if any, growth in this segment of the labour force in the coming years. Apart from the existence of considerable excess capacities, most new investments are aimed at rationalisation and automation.

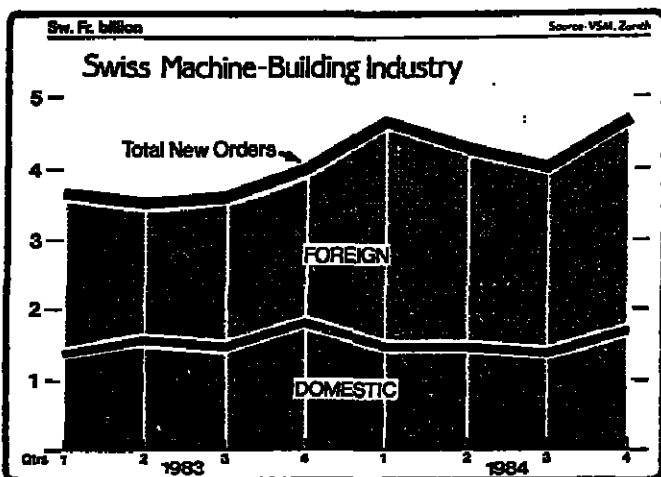
Over the 1980-84 period a total of 102 "industrial units" in the engineering sector have been closed down completely. Most of these have been only

small factories, but there have been large-scale closures within the leading groups. A much-publicised move was that undertaken last year when the crisis-stricken companies Sulzer, Von Roll and Georg Fischer agreed on a plan to reduce total domestic capacity by one-third for steel forgings and 20 per cent for ferrous castings.

Even with the increase in orders, the industry has a long way to go before it can really claim to be thriving again. Order books are thicker, it is true, but still equal to some 7.6 months' production—as against over 10 months in early 1974. This is the highest level of work on hand since 1980—but must be considered in the light of the reduction in the work force.

Also, the influx of new orders by no means necessarily promises a corresponding improvement in earnings. At a time of sharp competition, margins tend to be narrow; in the past years, not a few contracts have been signed to keep the factories ticking over and retain market shares rather than with any realistic view to profits.

Certainly, profitability leaves a good deal to be desired for the machine-building industry as a whole. Even should the listed companies' combined earnings reach nearly SwFr 500m this year, as Bank Vontobel forecasts, this would



Trembling on the edge of UN entry

Politics

WILLIAM DUFFLORCE

THE SWISS have needed 40 years to get to the point where they might change their minds and join the United Nations. They will vote on the matter in a national referendum next March.

A majority of the Federal Council (government) and the Assembly is in favour of joining but the polls suggest that the electorate could say no. Campaigning will not start in earnest for another six months or so.

The preservation of neutrality was the main argument for staying out of the UN in the 1940s. However, the Swiss became members of some of the organisations that come under the UN, provided a home for several of them and occasionally contributed to solving disputes.

They have suffered little, if at all, from not being members but now that Switzerland has only Monaco, the Vatican and (for a different reason) the two Koreas to keep its company outside the fold, the politicians at any rate think it might be time to change policy.

Swiss politics evolve through a slow, conscientious assessment of self-interest and—sometimes—liberal or humanistic ideals. For many, the grinding of linguistic, religious and economic interests through the mesh of cantonal politics and referendum still epitomises the true democratic process.

Stifling
A few Swiss feel democracy has become corporativism and find life in this old and cherished tradition endows the place with a kind of comfortable stultification. The amenities of the EXCELSIOR have been enhanced by extensive alterations, it is now equipped with the most modern appointments. All rooms face south and afford a magnificent view of the Lake and Alps. Private garage and large parking for more than 50 cars. Bar, Grillroom and baroque with veranda. Indoor heated swimming pool, sauna, fitness-centre, beauty centre, hairdresser.

At the moment domestic Swiss politics is turning its usual placid surface to the world. Stability is still assured at the Federal level by the four-party, centre-right coalition which has run things since 1959 and, having survived last year an attempt by left-wingers to take the Social Democrat party out of government, it looks safe for the next election in 1987.

The coalition currently has the nominal support of over 80 per cent of the 200 members of the Federal Assembly and a larger percentage in the 46-seat Council of States. It embraces the Radicals (54 members), the Social Democrats (47), the Christian Democrats (42) and the Democratic Union of the Centre, the former Agrarians (23).

It maintains the *Zauberformel*, the magic formula for the ratio (2:2:2:1) in which the four parties divide the posts in the seven-person Federal Council or government. The seven take it in turn to be president for a year. Mr Kurt Furgler, the Christian Democrat in charge of the Department of Public Economy, being in office this year.

Mrs Elisabeth Kopp, a Radical, became the first woman on the Council last year. In 1983 the Federal Assembly had rejected the nomination of Mrs Lilian Uchtenhagen, to fill one of the two Social Democrat places on the Council, leading to a crisis in which the Social Democrats threatened to break up the coalition.

A long perspective is needed to spot changing trends in the political makeup of Switzerland, a gain of five seats in an election being the equivalent of a landslide elsewhere, but the Social Democrats have been on the decline since 1975, when they were the biggest party in the Assembly with 55 members.

They suffered a further setback last year when their proposal to ease Swiss bank secrecy was rejected by a 3 to 1 majority in a referendum. They are divided almost on a generation line between a right wing and a militant left whose efforts to introduce socialist aims such as worker control of companies repel even most trade union members.

A recent opinion poll found 73 per cent of the Swiss wanted to keep the "labour peace" which was originally negotiated in 1947 and which bans strikes during the term of a settlement between employers and employees.

The Radicals are the party currently in the ascendant, having gained seven seats in the Assembly in the last two elections. In 1987 and which have campaigned under the motto, "Less state, more liberty," against encroaching bureaucracy.

Environmentalists
Stable it may be, but the Swiss political pattern is not immutable and new political groupings have been emerging, among them environmentalists, a consumer movement and even pacifists questioning the powerful role of the militia army in Swiss life.

The consumers' movement, led by an independent MP, Mrs Monica Weber, won a famous referendum victory in 1982, when voters backed a proposal to install a monitor to keep an eye on prices. The discomfited opposition has since been fighting to have the mortgage interest rate kept out of the monitor's hands.

The Greens captured three seats in the Assembly at the last election but their influence through supporters in other parties and at cantonal level is much greater. They have mustered majorities on issues such as protecting forests from air pollution and are particularly effective in the cantons.

In foreign relations Switzerland applies both the hard-nosed approach one would expect from a nation of businessmen and what Mr Edouard Brunner, the state secretary for foreign affairs, calls its "altruistic" side. This means that as neutrals the Swiss stand ready to offer services in obtaining peace, settling disputes or simply acting as go-between.

At present, Bern represents 17 foreign powers in countries with which they are in dispute. It acts for Britain in Argentina, for instance.

And at the same time as it represents the U.S. in Iran, Switzerland has for the past couple of years been resisting what it considers to be American intrusion into its legal affairs over bank secrecy and insider trading.

Again compromises have been worked out. A Bill on insider trading has been sent to the Assembly but the Government aims at shielding the commercial interests of the banks. If it is not tenacious enough in doing so, somebody—perhaps some private bankers—will collect enough signatures for a referendum.

PROFILE: ARMIN BALTENSWEILER

At the helm of two giants

WHEN Mr Armin Baltensweiler retired as chief executive of Swissair in 1982, it was not to a life of leisure. On the contrary, he not only took over as the airline's chairman but was also appointed to a similar position at the Sulzer Brothers engineering business. One man thus heads two of the country's most important companies.

While this situation is not wholly unknown in Switzerland—Mr Hans Gerber chairs both Hoffmann-La Roche and Zurich Insurance, for instance—it is understandably rare. Swiss board chairmen may not have the executive functions they are often given in the Anglo-Saxon corporate world, but they are accorded substantial responsibilities in the running of their companies.

Even if the status allowed it, Armin Baltensweiler would not be content to settle down as a figure-head. He has had a long and varied career and today looks nowhere even approaching his 65 years.

Nor is he a business-school "Organisation Man." The young Baltensweiler studied Aeronautical Engineering and aerodynamics at the Federal Polytechnic in Zurich, serving on the staff of his alma mater and as a research engineer at the Government's aircraft works before joining Swissair in 1943.

He had a vertical take-off at the airline. After a few months as a technical expert and instructor for Swissair in San Diego, he was called home to set up and run an engineering division within the maintenance department.

By the time he was 36, he was appointed to the management to operate the planning services sector—which he had also created. At 52, he was made one of Europe's youngest airline c.e.o.s. Flying took up part of his time outside the office, too. He had both an aircraft and a glider pilot's licence, as well as serving as a captain in Switzerland's militia air force. In connection with his airline post, he was 1981-82 president of the International Air Transport Association (IATA) and served a total of 15 years on IATA's executive committee.

By any standards, Mr Baltensweiler's ten-year presidency was a successful one.



Armin Baltensweiler, chairman of Swissair and Sulzer Brothers: no mere figurehead.

Swissair was one of the few major airlines to weather the civil aviation crises of the period without a loss. Without any government support, the company got through on a quality-first policy linked with a growing diversification into profitable non-flight services.

When times got really tough in 1982, the airline launched a stringent cost-cutting programme—which some say would have not been accepted as easily as it was had it not been for the personal popularity of the "boss."

His early move upstairs was a question of expediency. When the chairman's post became vacant in 1982, the board decided not to go outside the company but rather to promote Mr Baltensweiler three years before his official retirement age.

At the same time, Sulzer Brothers chairman Georg Sulzer decided to withdraw from business at the age of 72 and asked his friend Mr Baltensweiler, who had already been a Sulzer director for some years, to succeed him. "I was an engineer, I saw it as a challenge and I thought I should fit in," says Mr Baltensweiler today.

For the past three years, then, he has been shuttling the few miles from Swissair's headquarters near Zurich Airport to Sulzer's Winterthur offices. He is anything but an absentee chairman and delegates many of the more ceremonial duties.

On foreign trips, he frequently combines Swissair and Sulzer business—as this month, when he visits China both for the ten-year anniversary of the air route to Peking and to see Sulzer licensees.

The two companies have no corporate links nor is there much operational connection between them. Mr Baltensweiler feels there are a number of similarities, though. Switzerland is much too small for either firm as anything but an operational base, he points out, while both Swissair and Sulzer must offer high levels of quality and service.

John Wicks

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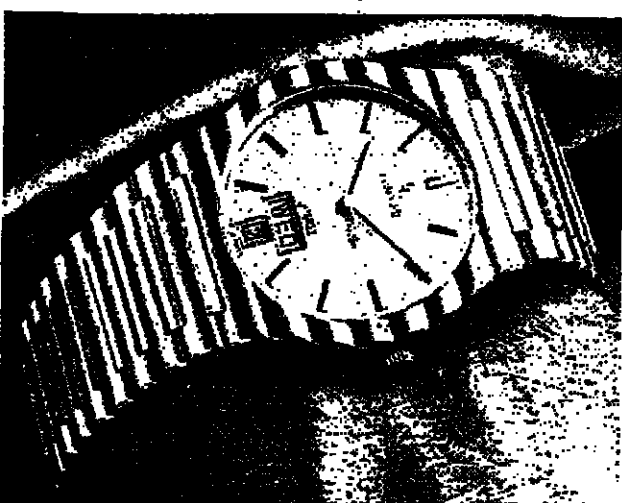
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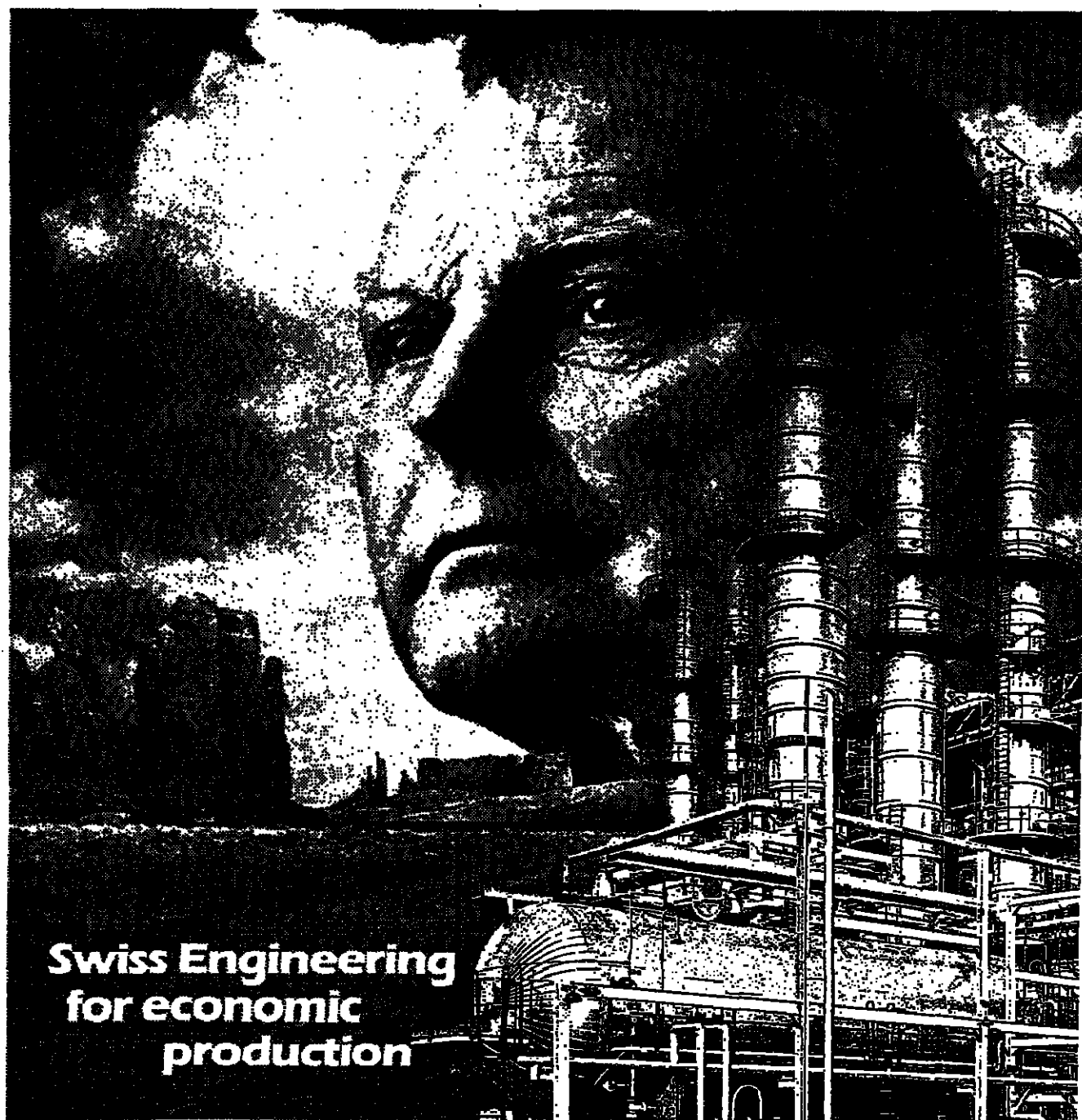
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Switzerland 6

Switch to Swatch heralds revival

Watches

WILLIAM DUFFLORCE

DOES the Swatch herald summer for the Swiss watchmaking industry? The remarkable success of that cheap, quartz watch, mass-produced in a variety of coloured plastic, has been a powerful morale booster, but its contribution to the overall value of exports is small and it may prove to be a passing fashion.

The question therefore remains unanswered, but it should at once be said that there is much other evidence to support the view that the Swiss watchmakers are organising a genuine comeback and are beginning to resist successfully the onslaught of the Japanese.

Exports, for example, climbed by almost 13 per cent last year to a total value of SwFr 3.84bn (\$1.5bn), confirming that Swiss timepieces still have the largest share of the world market. The rate of export growth speeded up to 17.7 per cent in the first quarter of this year with revenue reaching SwFr 933m. Two-thirds of the increase came from the U.S. market and is thus attributable in part to the strength of the dollar.

Second, Asuag-SSIH, the merged group, returned to profit in 1984 and is expected to return to the control of a private investors' group later this year. Asuag-SSIH is the heart of the industry, generating more than 40 per cent of the exports. The company is a major supplier of components to other watchmakers.

Furthermore, the industry is now well along the path of technological renewal. The Swatch with its technique for bonding components by die-casting system and robotised

How the watchmakers performed

	1981	1982	1983	1984
Number of maisons	793	727	686	634
Employees	45,885	38,151	33,396	30,978
Exports of watches				
units (m)	25.2	18.5	15.7	17.8
value (SwFr bn)	2.88	2.75	2.68	3.06
Exports of movements				
units (m)	19.9	12.7	14.6	14.5
value (SwFr m)	382.5	256.4	247.1	234.3
Exports of components				
units (m)	27.5	14.5	12.6	14.6
value (SwFr m)	160.5	81.0	76.8	98.4
Total value of exports				
(SwFr bn)	3.9	3.5	3.4	3.8

Source: Federation of the Swiss Watch Industry

production again symbolises the progress made. That apart from the switch from mechanical watches, to which the Swiss were too long faithful, to electronic timekeepers is far advanced.

Some shading in the picture is needed to get the perspective right. While the Swiss pushed up exports last year by almost 13 per cent, the Japanese are estimated to have increased theirs in yen terms by over 14 per cent. The challenge remains.

Exports in both yen and francs benefited from the increase in the value of the dollar. The average price of the Japanese watches has been increasing and last year they made inroads on the Middle East market, where Japan has been making a considerable marketing effort to balance the cost of its oil imports from Arab producers.

The movement of the dollar this year will be crucial for both Swiss and Japanese exports. M Francois Millet, the chairman of Asuag-SSIH, gave a warning this month that the industry's performance would be vulnerable to outside factors.

Asuag-SSIH itself is not yet out of the woods. Its Omega

subsidiary, whose ambitions led to over-production and an accumulation of stocks, remains a problem, even if its losses are reported to have been sharply reduced last year.

Other group companies producing watches in the middle price range still have to be turned round. A company has just been set up in the U.S. together with Times to sell a new Tissot watch and a big advertising campaign has been planned.

The management is reticent about its plans for other weak units, having learnt from past experience that it is better to keep Japanese competitors guessing than to disclose intentions prematurely.

The restructuring programme announced at the time of the merger was scheduled to last until the end of 1985 and the new management is still battling with the difficulties of co-ordinating the production systems and marketing practices of well over 100 companies, many of them with entrenched chief executives able to call in local political support to defend them.

Mr Nicolas Hayek, the consultant who drew up the recovery plan, and Mr Stephan Schmidheiny, a wealthy bus-

nessman, bought 7 per cent of the Asuag-SSIH shares last November and they have an option to increase their stake to 51 per cent. A group of private investors is being put together and should take over before August.

M Pierre Arnold, the successful managing director of the Migros retailing stores, without which many Swiss say they could not afford to live, became chief executive of Asuag-SSIH on April 1. He will lead a small, top management team which includes Dr Ernst Thomke, the father of the Swatch. Thus, a powerful, dynamic management motor has been inserted into the group.

The success of the Swatch is so far unchecked. Launched only in 1983, it exceeded expectations last year, when 3.7m Swatches were sold. The company has budgeted for more than double sales this year, the bulk being placed on the U.S. market.

Dr Thomke recognises that the Swatch is a fashion which may not have a long life. Plans are laid for a new project, should its sales falter, but in line with the new strategy no hint is being released to alert the Japanese.

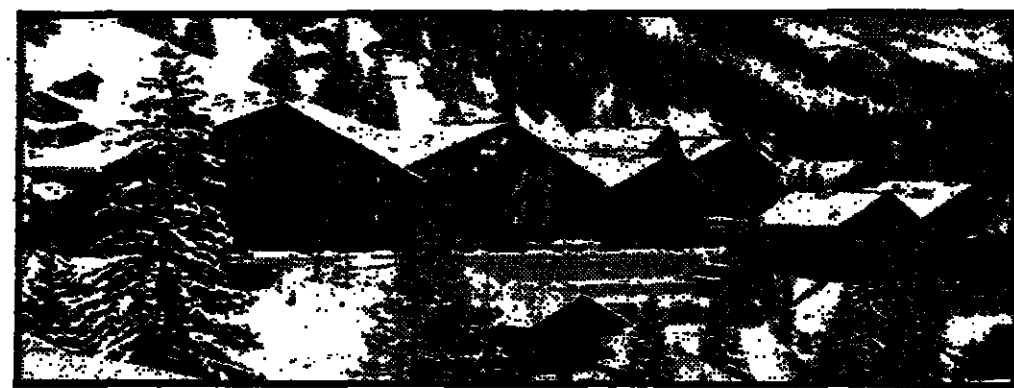
The 1984 statistics from the Federation of the Swiss Watch Industry show that the balance is continuing among the watchmakers. The number of maisons in business declined by over 50 to 634 (there were 2,332 in 1986) while the number of employees fell by 2,400 to just under 31,000. As late as 1970 the industry was still providing work for some 90,000 people.

It can be argued, however, that 600 watchmaking units is still too many, even if most of them are *établisseurs* or assemblers, adding their own design and marketing to the movements and components they buy largely from ETA, the component-manufacturing subsidiary of Asuag-SSIH.

Success brings problems

Tourism

W. L. LUTKENS



The all-year resort of Anzère, 4,500 feet above Sion in the Valais

THE TOURIST industry of Switzerland is doing badly or well, depending entirely upon how you look at it.

It is losing market share in a world of ever more and ever more distant holiday haunts: but it is holding its own against the adjoining Alpine regions with amenities closely comparable with its own.

It contributes a healthy SwFr 9bn (about £2.9bn) to the country's foreign exchange revenue. A record SwFr 3bn is left after deducting Swiss tourist expenditure abroad. But its own profitability is often inadequate.

It profits from a classic mixture of mountains, lakes and picturesque towns and villages but its very success may be threatening the goose that lays the golden egg. In many traditional holiday areas a rash of chalets and apartment houses, frequently built to unsuitable urban designs increasingly disfigures the landscape. Ski lifts built to serve the winter sports boom, slash through woods and meadows.

How golden are the eggs that the goose is laying? The SwFr 3bn net contribution to the external account of Switzerland is a big item. It is substantially more than one-third of last year's surplus on external current account of SwFr 8.5bn.

The amount includes spending in hotels, restaurants and the like, and travel and purchases made in Switzerland by foreign visitors. The latter amount, which can only be estimated, is extremely important. It is one reason, among others, why a German tourist in Switzerland spends 21 times as much as his compatriot in Austria.

That figure tells you a great deal about tourism in Switzerland. The Swiss have for long occupied a higher and hence more expensive market niche than their eastern neighbours. The habit of letting rooms in one's own house, widespread in Austria (or among traditional English seaside landladies), plays a lesser role in Switzerland.

Instead, besides the 280,000 beds available in hotels, motels, inns and pensions, there are 860,000 beds available mainly in chalets, holiday apartments, camping grounds and caravan parks. The latter sector is known to the Swiss as "parahotellerie".

Last year that sector booked a total of 38.8m overnight stays, 14.5m by foreigners as against 35.6m in the hotel sector, 20.6m of them foreigners. The hotel sector last year increased the number of overnight stays by foreigners by a modest 1.7 per cent whereas the "para" sector lost 8.2 per cent.

That setback was caused largely by the big West German strikes in the spring of 1984, which caused many Germans to abandon or at least to curtail their summer holidays. But

there is a gentle drift away from parahotellerie.

Switzerland, with its reputation for providing value for money—even if the price is not low—should be in a position to take advantage of that tendency.

Some doubt is permissible whether Swiss hoteliers as a group are in the best position to take advantage of that trend. In the cities, hotels are generally profitable and thus able to prepare for the increasing number of tourists who not only in Switzerland—aim for internationally famous towns rather than for lakesides and mountains. But out of town, the Swiss hotel trade is highly seasonal, so that profits are often insufficient to finance desirable investment.

The great winter sports boom of recent years has been of some help in this context. Because the winter sports fans generally spend more money than the summer tourist, facilities for the summer may be neglected. Some resorts already do 70 per cent of their business in winter.

The danger is that the employment of available capacities which was raised by the winter boom, will fall away again if too much attention is

devoted to the skiers at the expense of bathers, rambles and others who come in summer.

To show the extent of the problem of seasonal business: Prof Jost Krippendorff, head of the institute for research into tourism at Bern University, estimates that in the hotel sector the occupancy rate of existing capacities is the equivalent of three-fourths compared with tourists seasons adding up to five months a year.

Prof Krippendorff is a strong advocate of expanding the hotel style of tourism on the grounds that it provides almost four times the revenue and four-fifths the jobs produced by a comparable number of people put up in the "parahotels".

Following Prof Krippendorff's prescription will evidently require vigorous marketing efforts on the part of individual hotel businesses, regions, and at federal level. The latter is the business of the government-supported Swiss National Tourist Office in Zurich with its string of offices outside Switzerland.

The General Manager of the SNTO, Dr Walter Leu, says that in his view the general drift towards shorter working

hours in the industrialised countries is unlikely to be unaccompanied by increases of real income achieved at a similar rate.

He concludes that these trends will benefit the classic tourist regions, such as Switzerland, and within Switzerland itself regions like the Bernese Oberland and the Valais, at the expense of more exotic holiday haunts that have come in fashion in recent years.

But he also believes that marketing strategies will have to be planned to respond to an increasing trend towards impulse buying of packages and other holidays. To this end the SNTO is beginning to feed regularly updated information about both Switzerland as such and about snow and weather conditions in certain resorts, into publicly accessible data banks such as the Prestel system in Britain or BTX run by the West German post office.

To counteract the danger that the winter season will take away custom from the summer season, Dr Leu and the SNTO are planning to celebrate 1987 as the 200th anniversary of tourism in Switzerland. The choice of the year itself may not be quite precise historically speaking, but by and large it will do.

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